DOING BUSINESS IN LIBYA:
A USLO Country Commercial Guide

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TABLE OF CONTENTS:

Executive Summary

Located in North Africa to the East of Tunisia and the West of Egypt, The Great Socialist People's Libyan Arab Jamahiriya (Libya) encompasses 1,759,540 sq km, with an estimated population of 5.5 million. The socialist-oriented economy depends primarily upon oil sector revenues, which account for the vast majority of export earnings and government revenue. The combination of high oil revenues and low population affords Libya one of the highest per-capita incomes in Africa. U.S. (1986 – 2004) and U.N. (1991 – 2003) sanctions economically isolated the country for several decades.

Several years of anemic oil prices during the 1980’s induced a discontinuous process of privatization and market liberalization. This process received a push in 1997 with the enactment of Law # 5, which created a formal legal framework for foreign direct investment (FDI). In 1999, the U.N. suspended some sanctions on Libya, allowing for limited European entry into the market. Libya subsequently decided to acknowledge responsibility for the 1988 downing of a Pan Am airliner over Lockerbie, Scotland, and agreed to pay compensation to the victims’ families. Following Libya’s December 19, 2003 commitment to eliminate weapons of mass-destruction (WMD), the United States in concert with the U.K. and relevant international agencies began to work with Libya to eliminate the country’s WMD in a transparent and verifiable manner. In recognition of Libya’s progress in this regard, the United States and Libya began the formal process of reestablishing diplomatic relations, severed in 1980.

On February 24, 2004, the United States lifted its restriction on the use of U.S. passports for travel to Libya and eased economic sanctions. On April 23,2004, the United States lifted more sanctions and revoked Iran-Libya Sanctions Act (ILSA) provisions pertaining to Libya. On June 28, 2004, the United States reestablished direct diplomatic relations with Libya, and upgraded its Interests Section to a U.S. Liaison Office (USLO). On September 20, 2004, President Bush terminated the 1986-declared state of emergency against Libya and revoked related Executive Orders. This action removed most economic sanctions against Libya, and released Libyan assets frozen in the U.S. On September 11, 2004, Europe lifted its arms embargo against Libya. At the time this report went to press, January 2005, Libya remained on the U.S. State Sponsor of Terrorism (“6J”) List and was therefore subject to associated sanctions, including goods and technology controlled for export to Libya under the terms of the U.S. Department of Commerce's (DOC) Export Administration Regulations (EAR). Export of products classified as "dual-use" (civilian/military) are subject to a general policy of denial (See *U.S. Export Regulations*).

Trade between the U.S. and Libya, including the import/export of goods or services, is now permitted, though some commercial transactions remain subject to DOC export controls. U.S. companies may enter into and implement most industrial, commercial or government contracts with Libyan partners, as well as invest in-country, subject to export controls linked to the above mentioned state-sponsors of terrorism list; U.S. banks and other financial service providers may participate in and support transactions with Libya. Libyan students may study in the U.S. if they are accepted by an American university and qualify for a student visa. U.S. and Libyan air carriers, as well as code-shares are now permitted to fly between the United States and Libya.

Business Environment:

From the perspective of the U.S. businessman, Libya is a virgin market. Opportunities exist in almost every sector, from oil & gas to agriculture to telecommunications and tourism. The potential notwithstanding, U.S. companies face a variety of very real difficulties operating in Libya. In a country where salaries have long been frozen at barely a living wage, corruption is pervasive. Libya's bureaucracy is among the most formidable in the Middle East. In a culture where deals are made on the strength of personal contacts, Western representatives have found identifying the appropriate interlocutors a significant challenge. Libya's legal structure is multi-layered, and its banking infrastructure extremely primitive. With a very few exceptions (the joint Libyan-Maltese Corinthia hotel is one), credit cards are not accepted in Libya. Libya's physical infrastructure is in a state of disrepair, and telecommunication services are inadequate. Office space is limited, and the few Western-class hotels are often filled to capacity. U.S. companies wishing to send representatives to Libya are advised to allow considerable time to obtain Libyan visas.

U.S.L.O.

The Commercial Section of the U.S. Liaison Office (USLO-Tripoli) provides a limited set of support services for U.S. citizens and businesses, including information on local economic conditions, sector specific information and referrals to local service providers. USLO will offer periodic updates to this Country Commercial Guide, and before Q2 of 2005 will publish an extensive contact directory.

<u>CHAPTER 1: POLITICAL ENVIRONMENT</u>

1. Introduction:

Col. Moammar Qadhafi has ruled The Great Socialist People's Libyan Arab Jamahiriya (Libya) since 1969, when he and a group of officers toppled King Idris I in a non-violent coup. Borrowing from Islamic and pan-Arab ideas, Qadhafi created a system of government that rejects political parties and purports to establish a "third way", superior to both capitalism and communism. The country's governing ethos derives predominantly from Qadhafi's "Green Book," which calls for an almost total dismantling of traditional state organs. The Libyan Jamahiriya, or 'State of the Masses', is a mix of socialist-leaning, egalitarian-tribal and authoritative currents, heavily grounded in a historical suspicion of formal state administration. In theory, the people govern through direct representation through a large number of "People's Committees and Congresses." Since 2000, Libyan government agencies have expended some effort to re-cast the People's Congress System as a kind of unfinished and evolving experiment in 'Administrative Decentralization', language employed by international aid agencies (UNDP, World Bank) to denote a process of devolving administrative and budgetary responsibility to sub-state levels.

2. Evolution of the Peoples' Congresses:

In his governing manifesto, the Green Book, Qadhafi elaborated a framework for "participatory Democracy," devoid of political parties. The fundamental unit of Qadhafi's three-tiered ruling mechanism is the Basic People's Congress (BPC). BPCs, of which there are more than 2000 nationwide, are regionally-anchored consultative units that propose legislation and make budgetary requests, which are then passed to higher levels for review. The steering committees of the BPCs are called Basic People's Committees, appointed from within BPC membership. The second 'tier' of the Libyan political system is made up of municipal councils, of which there are 'general councils' as well as specialist, technical councils, which concern themselves with the operation of specific sectors--and even state-owned firms. The Basic People's Committees appoint members of the General People's Committees (GPCs), through their chairmen. There are General Peoples' Committees for each major social and economic "function', i.e., economy, health, etc. The culmination of the consultative BPC-based process is the annual General People's Congress (GPC) bearing superficial resemblance to a Western-style Congress or Parliament. The GPC is made up representatives and officials of General Popular Committees (appointed by the General People's Congresses and the 13 Municipal Congresses). During the Congress session, typically held in March, General People's Committees select their secretariats, which in turn appoint committee "secretaries" (analogous to Ministers, in the Western Parliamentary system). The head of the General People's Committee is roughly equivalent in his responsibilities to Prime Minister. Only GPC delegates are authorized to deliberate on matters related to national security, foreign policy, national budget and oil policy.[1]

[1] Vandewalle, <u>Libya Since Independence</u>, p 99

3. Revolutionary Committees:

Revolutionary Committees, an institution apart from the Basic and General People's Committees, assume special intelligence and policy enforcement functions. The People's Congress/People's Committee system dates effectively to the 1977 Sebha Proclamation, in which Qadhafi proclaimed Libya a "Jamahiriya", an Arabic neologism meaning "State of the Masses." During recent Peoples Congress sessions, General Secretary Shukri Ghanem proposed an essential overhaul of the authority structure within the People's Congresses and Revolutionary Committees, one that would vest considerably more authority in the Secretary, including the right to appoint his own cabinet.

4. Legal System:

Libya is a secular Islamic state; the legal system in force since 1969 was derived from Egyptian models, in turn based on a mixture of Turkish, French and Italian sources (primarily Napoleonic law). Libyan personal/family law is adjudicated under a 1982 code, informed by Islamic law, or Shari'a. Criminal law is based on the Italian criminal law, dating back to the 1930s. Much of Libya's commercial law falls under the purview of Libya's 1953 Commercial Code. The Basic People's Congresses are the fundamental legislative unit, introducing laws and amendments for review by the GPC system at its various levels (See: *People's Congresses*). Laws and amendments are published (in Arabic only) in the monthly Legal Register. A brief survey of Libyan law may be found in an article by Mustafa El-Alem in Yearbook of Islamic and Middle Eastern law 225 (1994).

5. Foreign Policy:

During the 1970's and 80's, Moammar Qadhafi actively promoted Pan-Arab political philosophy, which prompted Libya's joining a variety of abortive unions with, alternately, Syria, Tunisia and Egypt. In the late 1980's, faced with a lackluster reception on the part of the Arab world to Qadhafi's vision for the region, Qadhafi turned away from the Arab world to focus on the African continent. He was instrumental in transforming the Organization of African States (OAS) into what is now the African Union (AU). Libya has actively supported various continental causes, including a number of "movements of national liberation." In the wake of the lifting of U.S. sanctions and the E.U. arms embargo, Libya has played host to the leaders of several Western countries, including Britain, France, Germany, Italy, Poland and Canada.

CHAPTER 2: ECONOMIC TRENDS AND OUTLOOK

1. Macroeconomic Profile
2. Economic Liberalization
3. Employment
4. Human Development

1. Macroeconomic Profile:

At the time of independence in 1951, Libya was one of the poorest countries in the world, with a per-capital annual income of about 30 USD. In 1960, the country's paltry 10 million USD in agricultural exports were vastly outstripped by its imports. In 1961, Libya exported its first shipment of oil, and its trade balance tilted towards the positive. Oil export revenues currently account for over 95 % of Libya's hard currency earnings and 75% of government receipts. While its trade balance remained solidly positive through the 1970's, Libya spent an ever-increasing amount on services provided by foreign consultants, contractors and manual laborers. As oil prices declined in the early 1980's, Libya forced foreign companies to accept barter arrangements (or simply delayed payment) to stem foreign exchange outflow. Strict exchange controls remained in place from 1969 to 2002, when the government unified its dual exchange rate system and ended currency rationing and import license requirements. While productive investments over the past couple of decades have been few and far between, Libya's indebtedness ratios have been extremely low.

Libya partially offset a January 2002 currency devaluation of 51 % by halving customs duties on a number of imports. In the same year, some effort was made to centralize the budget and to create a national development plan.[2] According to summaries of Libya's 2003 IMF Article IV consultations, the 2002 actions had immediate and positive impact, augmented by the effect of rising oil prices: Real, non-oil GDP grew roughly 3% over 2002, accompanied by a 9.8 % reduction in the consumer price index (CPI). Libyan GDP grew 5.6 % in 2003 and 3.9 % in 2004 with consumer price inflation of approximately 2-3.5 %. GDP growth is expected to rise to over 6% in 2005, with consumer price inflation under 4%.[3]

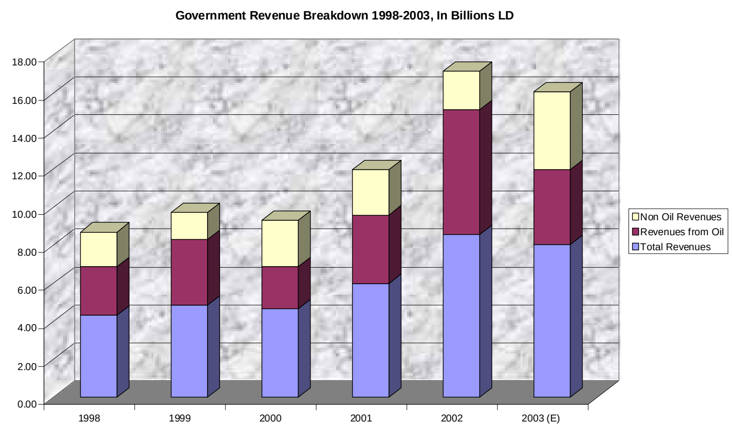
Oil Revenues in 2000 were approximately 12 Billion USD, compared with 7 billion in 1999. During 2003, estimated Libyan oil production was nearly 1.5 million barrels per day (bbl/d), with consumption of 227,000 bbl/d and net exports of about 1.25 million bbl/d. 90 % of Libya's exports are sold to a handful of European countries, including Italy (485,000 bbl/d in 2002), Germany (188,000 bbl/d in 2002), France (47,000 bbl/d in 2002), Spain and Greece.

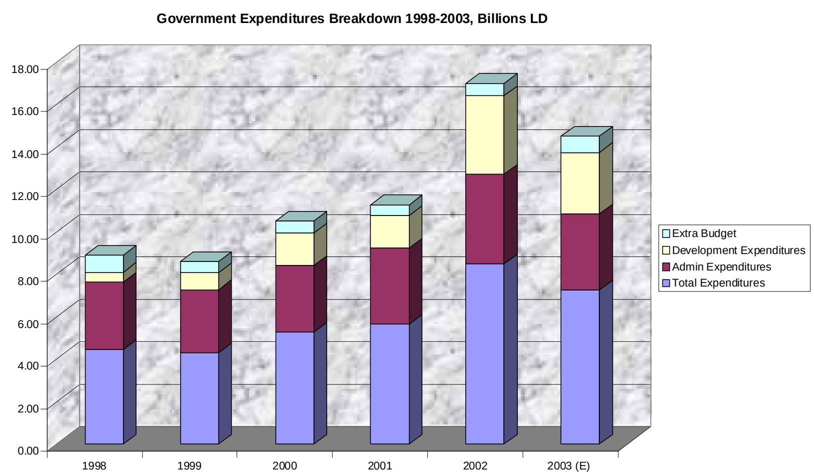
Government Budget:

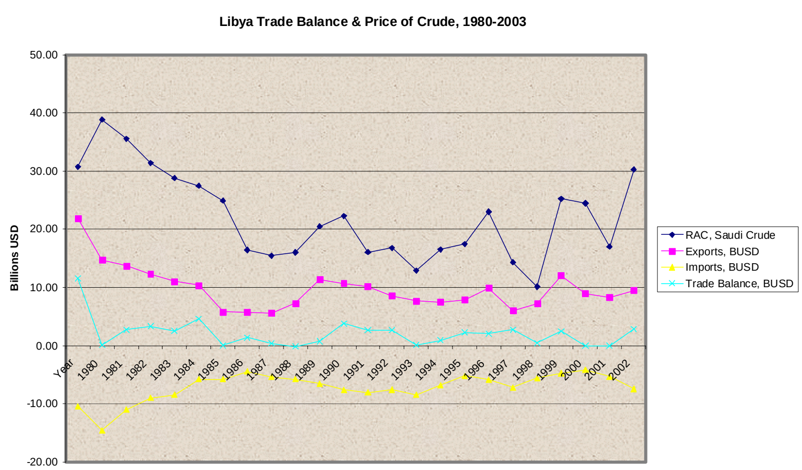
The official 2005 budget is 18 billion Libyan Dinars (LD), of which 11 billion is allocated to administrative and 7 billion to development expenditures. In turn, 1 billion LD has been allocated specifically to alleviating Libya's acute housing shortage, through state-run building projects and housing loans. More generally, the government of Libya has in recent years increased 'development' allotments, and raised the proportion of funds dedicated to telecommunications, construction, health, housing and education.[4] Total government expenditure is difficult to ascertain, given a large amount of "off budget" expenditures. Recent GPC sessions have

[2] Libya Human Development Report, 2002
[3] Source: Fiche de Synthese, Missions Economiques, 2004, The Embassy of the Republic of France, Libya.
[4] Butera and Andrews, GOL sources

addressed the need to limit off balance expenditures. The following charts illustrate the composition and source of recent years' national budgets:







2. Economic Liberalization:

The changes in Libya in the last five years are all the more startling if one recalls that until recently the country had no private sector; foreign entities could not own or rent property from private individuals, and state monopolies controlled the purchase and distribution of consumer goods. First signs of economic liberalization date to 1987, when the Libyan government quietly allowed for the creation of *tasharukiyyat sina'iyya* (industrial partnerships). After an initial burst of *tasharukiyya* activity, interest waned with a rapid fall in returns. Subsequent laws allowed for the "practice of economic activity" and the creation of private banks. In 1992 the GPC passed a Privatization Law, permitting the sale of state property to non-governmental Libyan interests. Many sources point to the enactment of Law # 5 of 1997, the Encouragement of Foreign Investment law, as a watershed event, setting out the terms under which foreigners could invest in Libya. In 2003, Moammar Qadhafi described the Libyan socialist experiment as a failure, and appointed a noted reform advocate, Shukri Ghanem, to manage Libya's transition to an open economy. Ghanem recently announced his intention to eliminate or reduce subsidies on basic foodstuffs and fuel, a possible increase government salaries and a massive privatization effort, encompassing over 380 firms. Additionally, Ghanem has proposed to address the weakness of private investment by offering 7 billion USD in loanable funds to the banking sector. Individuals wishing to start or expand small businesses may apply for a modest 30,000 LD loan under the terms of this program. Since 2003, the Privatization Board has overseen the transfer of 40 State-owned companies, most of relatively modest capitalization. In January 2005, the GPC declined to act on the lifting of subsidies, and rejected Ghanem's proposal to scrap and rebuild the massively inefficient National Ports Authority. There has been recent talk of disbanding NASCO, the body responsible for purchasing and distributing 1.2 billion USD in foreign consumer goods. The mood regarding the pace of further reform is guardedly optimistic.

3. Employment:

While officially, unemployment is at 13 %, unofficial estimates place the real rate between 35 to 40 %. Libya's labor force numbers roughly 1.3 million persons, 31% of whom work in industry, 27 % in services, 24 % in government and 18% in agriculture. Despite laws prohibiting moonlighting by civil service employees, many government functionaries hold multiple jobs. Women have entered the workforce at an increasing and substantial rate since the early 1970's. Libyan labor law stipulates minimum wage, working hours, night shift regulations, dismissal and training. Law # 15, passed in 1981, caps all government salaries at 300 Libyan Dinar (about 250 USD) per month, and there is no cost of living adjustment. The laws governing dismissal are reasonably strict and favor the employee. Foreign workers make up a significant %age of the Libyan labor pool. During the 1980's, Libyans put increased pressure on foreign workers and contractors, whom they saw as consuming valuable foreign exchange and contributing to a growing unemployment problem. Pressures took the form of increased restrictions on funds repatriation and often delayed or cancelled compensation. In 1983, 560,000 foreigners worked in Libya; by 1986, the number dropped to less than 200,000. In 1986, Libya owed over USD2 billion to U.S. contractors; many are now attempting to recover these payments. As oil revenues rebounded in the early 1990's, and Libya increased its profile on the African continent, Qadhafi announced an "open borders" policy, which produced a massive influx of work-seekers from Chad, Ghana, Niger, and other Sub-Saharan African states. Unable to find work in Libya many of these immigrants have continued northward and have contributed to an already severe refugee problem in Southern Europe. With mounting pressure from the EU, and rising unemployment at home, Libya has taken to a quasi-active policy of deportation.

Independent trade unions and professional associations are illegal, and workers do not have the right to form unions. They do have the option of joining an organization called the National Trade Unions' Federation, created in 1972. Collective bargaining does not exist in any meaningful sense, as labor law requires government approval for all related actions.
Unemployment is a major policy concern for the Libyan government, particularly in light of an assumed rapid increase in the pace of privatization, which would inevitably release large numbers of state-salaried employees onto the market. Proposals have been floated in the local business press, calling for the creation of mechanisms such as an early retirement fund, vast re-tooling/re-training programs, and the creation of some form of social safety net.[5] Some hope that a growing tourism infrastructure and construction projects will provide the most ready outlet for Libya's unemployed.

4. Human Development:

It is often said that Libya's two greatest assets are its oil and its small population. With wise management, Libya's oil wealth may provide the foundation for future, non-oil dependent wealth. The following chart shows primary human development indicators, over time.

Development Indicators	2000	2003	MENA 2000
Average Family Size		6.6	
Average Annual Family Income (LD)		8725	
Average Individual Income (LD)		1320	
Illiteracy (% over age 15)		15%	
Access to Improved Water Source		72%	
Population (million)		5.6	295.2
Urban Population	87.6%		58.2%
Labor Force (million)	1.5		99
Immunization Rate, % under 12 months	93.0 (Est.)		91.2
Human Development Index	.772		.682

Source: National Documentation and Information Authority, World Bank, IMF

% of Population with Low-ratings in Housing and Sanitation, in Four Municipalities				
Shaabiya		Very Low	Low	Total Population
Tripoli	Housing	20.35	24.48	
	Sanitation and Drainage	2.5 (%age of share of Shaabiat in total population in lowest case)		
Benghazi	Housing	17.55	33.17	
	Sanitation & Drainage	0.32		
Ghat	Housing	29.95	23.95	
	Sanitation & Drainage			
Sebha	Housing	22.04	34.53	
	Sanitation & Drainage	4		

Source: Libya Human Development Report

[5] *Al-Tijara*, October, 2004

CHAPTER 3: LEADING SECTORS FOR U.S. EXPORTS AND INVESTMENT

With proven oil reserves at 36 billion barrels, and the price of oil at record levels, oil and gas will remain a high priority for the foreseeable future. Libya, like other oil-producing countries in the region, would like to see significant foreign investment in non-hydrocarbon sectors. In addition to energy, areas of particular growth and interest to U.S. investors include--but are not limited to--Telecommunications, Information Technology, Banking Services, Electric Power, Construction and Engineering Services, Health & Medical, Water Treatment and Desalinization, Agriculture, Transportation, Tourism, Education & Training and Manufacturing.

1. Oil

Introduction:

Various published surveys of Oil & Gas executives have cited Libya as the top international exploration prospect for three years running.[6] American oil companies have found the environment challenging, certainly, but regard Libya as an attractive long-term investment, as illustrated by the recent American bids under the terms of the latest exploration round, EPSA IV (see EPSA IV, below). Libya remains "highly unexplored", and has "excellent" potential for future oil discoveries.

E&P Snapshot:

The Libyan Government hopes to increase oil production to its pre-sanctions rate of roughly 3 million bb/d by 2010. By its own estimate, more than USD10 billion in investment will be required to reach this target: USD6 billion for Exploration and Production (E&P) and USD4 billion for refining and petrochemical plant development. Libyan exploration priorities include areas in the Sirte (i.e., Blocks 25 and 36), Ghadames (i.e., Block 20), and Murzuq basins, as well as under-explored areas such as Kufra and Cyrenaica.[7] The most significant of recent discoveries have been in Murzuq, whose El Sharara field is producing about 170,000 bbl/d. El-Bouri, located off Libya's Western coast, is the largest producing oilfield in the Mediterranean, with 2 billion barrels in proven recoverable reserves. Bouri, purchased from Eni by Repsol in 1993 for USD65 million, produced approximately 150,000 bbl/d in 1995, but went into sharp decline thereafter. Sanctions crippled, but did not end foreign involvement in Libyan exploration and development, which continued throughout the 1990's. In October 1997, an international consortium made up of British, Italian, and South Korean firms discovered 700 million barrels of recoverable reserves in NC-174 Block, 465 miles south of Tripoli. The field, dubbed "Elephant," is expected to reach full capacity of 150,000 bbl/d by 2006. In 2000, NOC opened 137 petroleum blocks to foreign investment.[8] In the same year, a consortium led by Spain's Repsol YPF Group announced a major discovery in Block NC 186.

The National Oil Company (NOC) and its Subsidiaries:

[6] Robertson, 2002

[7] By comparison, the government of Kuwait recently announced a similar oilfield renovation project, with projected expenditures totalling USD 40 billion over 15 years.

[8] Mobbs

Libya's oil industry is controlled by the state-owned National Oil Corporation (NOC), which in turn runs subsidiaries Waha Oil Company, Arabian Gulf Oil Company (Agoco), Zueitina Oil Company (ZOC), and Sirte Oil Company (SOC). Oil exploration and development continued throughout the period of sanctions (1986-2004), although many projects were put on hold and minimal maintenance was performed to keep equipment running. In 1983, the Libyan government created Umm Al-Jawaby, the international procurement arm of the National Oil Corporation (NOC) to replace the procurement arms of the foreign oil companies whose assets had been nationalized and/or frozen. Al-Jawaby sources more than 150,000 items annually, both oil and non-oil-related, worth over USD400 million. Most of these products come from the UK, and are distributed to 16 client companies in Libya. NOC operates a second procurement company, Medoil (Mediterranean Oil Services) out of Dusseldorf, Germany. Medoil, with a comparable budget to Umm Al-Jawaby, deals mostly in products from Germany and Continental Europe; its clients are also essentially the same. Umm al-Jawaby procures a large amount of services, including training courses and conferences for Libyan staff. While Umm Al-Jawaby's raison d'etre is being eroded by reform at home, the company continues to service NOC and its subsidiaries. U.S. firms may request to be added to Umm Al-Jawaby's register of approved training providers (RATP). [*NOTE*: As this report went to press, GPC was rumored to have drafted legislation that would dissolve both Umm-Al Jawaby and Medoil. Consult USLO for updates.]

NOC created yet another subsidiary, Oilinvest, in large part to secure international refining capacity during the sanctions period. Oilinvest itself operates over 40 subsidiaries, the largest of which are Tamoil and Gatoil. The latter two companies manage a range of investments, and branded gas products. Tamoil's Italian subsidiary, Tamoil Italia, owns and operates approximately 2,100 service stations. Tamoil suffered financial crisis over its dealings with Zimbabwe, with which the company had contracted to supply 70 % of its oil requirements. Insiders speculate a dramatic reorganization or dissolution of Oilivest will occur in the next year or two.

EPSA IV: A "new" model for Exploration and Production Concessions

In September of 2004, NOC announced it would pursue a new formula for awarding exploration and production contracts. Dubbed "EPSA IV" (EPSA=Exploration and Production Sharing Agreement), NOC touted EPSA IV as "a more transparent and open" version of previous EPSAs, one-on-one negotiations between NOC and individual companies. EPSA IV concessions, which run for 25 years, differ from previous EPSAs in that they regulate field work requirements, the conditions under which NOC is authorized to reject a bid (the "Ratification Clause") and assignment parameters governing the timing and distribution of subcontracts. Another innovation in this round is the existence of a "signing bonus", firm-specified payouts which, in the event of identical revenue ("M" factor) bids, NOC will use to determine a winner. EPSA IV explicitly mentions associated gas, and specifies that it should be shared on same basis as crude oil, using fuel oil as the gas reference price. Concession winners cover all costs of exploration; development, appraisal and abandonment costs are shared with NOC.

During the first week of September, over 500 representatives crowded into Tripoli's Al-Mehari, and London's Langham Hotel to hear NOC's EPSA IV term-readout. More than 250 firms submitted bids, and of those, 68 qualified. 57 of the 68 submitted formal bids, in various combinations, producing a total of 104 offers. On January 29, NOC officiated a bid-opening session, at which 11 of the 15 exploration blocks went to U.S. firms Occidental, Amerada Hess and Chevron-Texaco and their partners. Licenses also went to Indian, Canadian, Indonesian and Australian firms. None of the major European firms in competition won bids in this round. It is key to note that this past round is the first, and not the largest in what is expected to be a series of similar exercises. NOC has announced it will auction off 40 exploration blocks in early Spring, and has hinted at a third round in the 3rd quarter of 2005.[9] NOC is attempting to balance "transparency" with the longer-term interests of the sector, which may be best served by application of deep water, and enhanced oil recovery technologies unavailable to many otherwise qualified bidders.

Oil Production Capacity (000b/d), c. 2004	
National Oil Company Managed	
Arabian Gulf Oil Company (AGOCO)	450
Waha Oil Company	425
Sirte Oil Company	120
Zueitina Oil Company	80
Other Operators	
AGIP	280
Veba	95
Repsol	80
Wintershall	15
Total	15
Petrofina	5
Total:	1565

Source: Canadian Trade Service

Downstream: Refining/Marketing:

Libya operates five refineries, with a combined capacity of approximately 320,000 bbl/d. These include Ras Lanuf (Gulf of Sirte) with a capacity of 220,000 bbl/d, Azzawia (120,000 bbl/d), Sarir (10,000 bbl/d), Tobruq (20,000 bbl/d), Brega (10,000 bbl/d). Libya exports production over domestic demand (approximately 93,000 bbl/d). In May 2002, Libya signed a USD280 million contract with South Korea's LG Petrochemicals to upgrade the Azzawiya refinery. In March 2002, Ras Lanuf was shut down for several days after a fire broke out at an ethylene storage tank. A new refinery is reportedly planned for Sebha.[10] The NAPECTCO (National Petrochemical Company) produces methanol, ammonia and urea at small petrochemical complexes near Abu Khammash salt lake, 165 km west of Tripoli. Ras Lanuf Oil and Gas Processing Company (RASCO) built Ethylene and Polyethylene plants in 1988, and opened a Naptha cracker in 1997. Foreign oil companies have expressed a strong desire to bid on combined upstream/downstream packages.

2. Natural Gas:

Libya's proven gas reserves amount to 46.4 Tcf; potential reserves are as high as 70-100 Tcf. One senior oil and gas analyst described Libya's gas prospects as "truly world class." Until relatively recently, Libya did little with its considerable gas reserves. According to an NOC representative, the company is currently flaring approximately 15-17% of associated gas (the actual amount is likely much higher). NOC says it aims to get this number down to 10 % by the end of 2006, and is looking for partners with technology to help pool smaller gas pockets. More generally, with the deepening international market for natural gas, Libya is seeking both to export gas and to use it to satisfy domestic energy needs (thereby freeing up additional oil for export).

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[9] JANA and *Al Fajr Al-Jadid*, 1/30/05

[10] Mohammed Ghattour & Co., Doing Business in Libya, 2004

Inaugurated in October 2004, the Western Libya Gas Project (WLGP) is the cornerstone of Libya's gas program. WLGP, which cost USD 5.6 billion to develop, sources gas from the desert near the Southern Libyan border with Algeria, and an offshore platform 110 kilometers North of Tripoli. The resulting gas flows to Melitah (80 km West of Tripoli) where it is collected, then pumped by submarine pipe to Sicily and mainland Italy. Libya's feedstock commitments to WLGP amount to 1 billion cubic meters per year. WLGP notwithstanding, Libya has been faulted for not having a comprehensive gas strategy. Libya is actively seeking foreign participation and investment in gas infrastructure. In recent years, large new gas discoveries have been made in the Ghadames and Sirte basins.

Liquid Natural Gas (LNG)

Libya produces a small amount of liquefied natural gas (LNG), most of which is consumed by domestic refineries. The Esso-built LNG plant has been operating for many years at half-capacity, due to technical problems. With considerable investment, Libya has the potential to produce more LNG per year than each of Malaysia, Algeria and Indonesia. Libya's main gas-producing fields are Attahadi, Defa-Waha, Hatiba, Zelten, Sahl and Assumud. Royal/Dutch Shell is awaiting signature on a deal worth an estimated 1 billion USD, including substantial investment in Libya's LNG infrastructure.

3. Electric Power:

Libya currently has electric power production capacity of about 4.6 gigawatts; in 1999, electricity generation was 3190 megawatts. The Libyan General Electric Company (GECOL) runs 23 generating plants, of which 6 are steam-powered, 17 run on gas or diesel fuel. Projected increase in demand 4-5% per year throughout the late 90s has risen to 6-7% recently, tracking economic growth. Domestic gas demand is projected to rise to 22 billion cubic meters in 2010. Power demand is growing rapidly (approximately 6% annually), and Libya has plans to more than double installed capacity by 2010 at a cost of over USD3.5 billion.[11] Most stations are oil-fired although some have been converted to gas.

Libya's power generation and distribution sector requires substantial investment, and officials are looking at alternatives to public financing. In October 2003, Spain's Abengoa and Cobra signed deals worth a combined USD339 million with GECOL to expand and upgrade the country's power transmission and substation infrastructure to meet the country's surging demand. There are also plans to link Libya's power network with those of Egypt, Tunisia, and possibly other countries in Africa. German industrial conglomerate Siemens is hoping to sign a USD 240 million contract to modernize Libya's electricity grid.

4. Construction and Engineering Services

The vast majority of construction and engineering services in Libya in recent years have been applied to two large sets of projects: those related to oil field development, and those related to a 20-billion plus USD water drilling and transport project known as the Great Man Made River. Contracting services and construction materials will be required in the coming years to support major road, large-scale office complex, hotel, and residential housing projects.

[11] First National Report on the State of the Environment, 2002

The Great Man Made River (GMMR)

The GMMR project, known locally as the "Eighth Wonder of the World", transports water from a series of deep Southern aquifers to the Northern coastal belt. The first feasibility studies for the GMMR were conducted in 1974; work began in the early 1980s on the first of five phases, whose total cost is estimated at more than 30 billion USD. Once complete, the system is projected to carry over five million cubic meters of water per day.

Phase I of the GMMR completed in 1991 at a cost of 14 billion USD pumps approximately 2 million cubic meters of water a day from As-Sarir and Tazerbo to Benghazi and Sirte, over a distance of 1200 km. From Sarir, two parallel, 4 meter-diameter pipelines convey water to Ajdabiya. From Ajdabiya reservoir, the conveyance splits, continuing West to Sirte and East to Benghazi.

Phase II is complete and delivers 1 million cubic meters of water a day from the Fezzan region to Tripoli and the Jeffara plain. The system consists of 127 wells, distributed along three east-west collector pipelines. These pipelines ultimately feed a 28 million cubic meter reservoir at Suq El Ahad.

Phase III is divided into two sets of projects. Those centered in the East include a 700km expansion of the existing Phase I system linking Sarir to Benghazi. adding 1.68 million m3/day to Phase 1 capacity, as well as the construction of a reservoir and pipeline linking Tobruq to a well-field at Al-Jaghboub. The 500km pipeline will pump 138,000 cubic meters per day. The 'Western' project consists of building a pipeline linking Ghadames to Zuwara and Zawia. Subsequent phases involve the extension of the distribution network together with the construction of a pipeline linking the Ajdabiya reservoir to Tobruq. Ultimately, the Eastern and Western pipelines will be linked into a single network.

The GMMR project is managed by the Great Man-made River Authority (GMMRA), whose director holds a ministerial-level position. Brown & Root and Price Brothers (now KBR) were responsible for the original project design; the prime contractor for the initial phases was the South Korean firm Dong Ah, which subsequently declared bankruptcy. Korea Express, formerly part of the Dong Ah group, recently re-negotiated the contract held by its parent. The preliminary engineering and design work for Phase III, a 15.5 million USD contract, went to Nippon Koei/Halcrow consortium. The Frankenthal KSB consortium won a contract for construction of pumping stations and technical support, while Canada's SNC-Lavalin built the pipe production plant (Lavalin recently won an additional 1 billion USD contract to assist with water distribution).

Construction and Real Estate Development:

American, Italian and Emirati firms are among those active in contracting to build large office complexes and hotels. The Hashoo Group (UAE) recently issued a tender to build a 5 Star, 400-room hotel in Tripoli, with associated business and housing complexes.[12] Other groups have signed to create business complexes in land adjacent to Tripoli's Metiga Airport (See Also *Tourism*). The Arab Cement Company, which produces 3.3 million tons of cement for the Libyan market annually announced in early February 2005 its intent to raise 600 million LD in the first public offering of this magnitude in Libya.[13]

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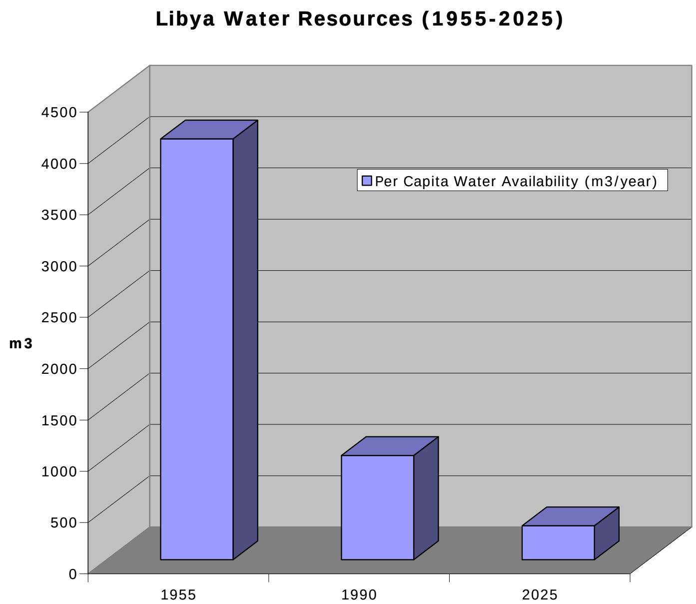
[12] *Alfajr Aljadeed*, Jan 16, 2005
[13] Reuters, Feb. 2, 2005

5. Desalination and Water Treatment:

According to cost/benefit analyses conducted in the late 1970s, one Libyan Dinar would buy 0.74 cubic meters of water if shipped by pipeline from Europe, 0.79 cubic meters if produced through desalinization, 1.05m3 if transported by ship, and 14.7 cubic meters if transported from underwater aquifers through the Great Man Made River (GMMR).[14] The cost of desalinization has since fallen, and estimates of the 'real' cost of GMMR water is rising (largely due to a greater awareness of the 'depletion cost' of a non-renewable resource). At the conclusion of the first stage of the GMMR, a study showed that the user's gate price of a cubic meter of GMMR water was 0.83 USD, measured in 1991 prices, against 0.55 USD per cubic meter for desalinated water, inclusive of interest, capital recovery and operation. The price trends have continued in this direction throughout the past decade.[15]



Current desalination output is reportedly 30 million cubic meters per year. Thermal and flash vaporization account for 60-70% of this output; Reverse osmosis techniques generate 20% of output, while 10% comes from electro-membrane separation. It is widely believed that, even with extensions to the GMMR, there will be a large demand for desalination technology in Libya over the coming years. Over 60% of medium and large capacity desalination plants currently operating are more than 17 years old.

Wastewater Treatment:

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[14] Great Man Made River Authority

[15] Alghariani, Saad "Water transfer versus desalination in North Africa: Sustainability and Cost Comparison," in *Libyan Studies*, Vol. 34, 2003.

Libya built 40 wastewater treatment plants in the 1970s and 80s, with a total capacity of 175 million cubic meters per year. Water quality in Libya in and around the major population centers is known to be extremely poor. There have been several major contamination incidents, including one in which a leak from an ageing underground pipeline at the Zawia refinery polluted groundwater in the agricultural district of Gargouza, 30 kilometers West of Tripoli.[16] Several hundred million USD worth of water, wastewater treatment, and desalinization contracts are expected to be awarded over the coming few years.

6. Telecommunications

Telecommunications infrastructure development is the responsibility of the state-owned General Post and Telecommunications Company (GPTC). GPTC was created Law # 16 of 1984, and is headed by Mohammed Qadhafi (son of Moammar Qadhafi). GPTC oversees the operation of fixed and mobile lines, as well as Libyan Internet service providers (ISPs). In July of 2004 GPTC issued tenders for the installation of next-generation backbone and switching networks, with an eye towards having 3 million new lines by the end of 2005. GPTC has expressed its intention to install third-generation equipment, as well as consider acquiring VSAT and VoIP capabilities. On the user-side, Nokia currently maintains an approximate 90% market share for cellular and radio communications equipment. Remaining U.S. sanctions govern most telecommunication procurements. See Chapter 6 of this guide for further information.

In 1997 GPTC spun off Al-Madar, or “Orbit”, a subsidiary dedicated to mobile communications. In September 2004, France’s Alcatel and Finland’s Nokia won a USD244 million dollar contract to expand Libya’s mobile network by 2.5 million new mobile lines over the course of two years, using EvoliumTM mobile radio access and core network solution to serve GSM/EDGE and 3G users. Nokia’s portion of the contract applies to the area from Tripoli to the Western mountains, while Alcatel’s covers Libya’s Eastern and Southern regions. GPTC has announced its intention to spend approximately USD10 billion on telecommunications infrastructure over the next 15 years. Last year GPTC launched a second State-owned subsidiary, Libyana, with 60,000 mobile lines installed by a Chinese contractor. Libyana’s coverage will be concentrated initially in Tripoli, Benghazi and one in Sebha.[17] Mohammed Qadhafi has stated publicly that he does not see a full liberalization of the Telecom sector in the near future; nevertheless, GPTC has expressed interest in U.S. technology, and U.S.-furnished centers for training and software certification.

Cost of Mobile Service			
Year	1997	August, 2004	September 2004
Line Cost	USD 3,300	USD710	USD68+410 deposit=USD478

Source: BBC News

ICT Statistics						
Telecommunications Infrastructure						
Year	1998	2001	2002	2003	2004	2005 (E)
Fixed lines and mobile	94.4	127.2	--			

[16] Libya Oil and Gas, Trade Partners, UK (2003)
[17] JANA

telephones per 1000 people						
Fixed Lines	500,000					
Personal Computers per 1000 people			23.4			
Internet Users		20,000	125,000	160,000 (2.8% of population)		5%, of the population or approximately 300,000 (Approximately 20% of those between the ages of 15-35)
Internet Cafes	0	0			15	15
ISPs	0	0	1			

Source: World Bank, ITU, LibyaOnLine

7. Medical Supplies and Services

Libya's hospitals and clinics largely do not meet international standards. Those Libyans with sufficient resources travel to Tunisia, Jordan, or Europe for anything but the most routine medical care, a trend that has led to the establishment of a 100+ mile "medical services alley" on the Tunisian side of the border, catering almost exclusively to Libyan clients. Benghazi Medical Center, a long-vacant (and never-used) 1200-bed facility, recently announced a 120 million USD tender for mid-term management and complete furnishing of the facility, including advanced imaging equipment, basic supplies, furnishings, etc.

8. Agriculture

Although farming accounts for only 5 – 7 % of Libyan GDP, the sector employs one-fifth of the country's workforce. 1 % of Libya's land is cultivated, while approximately 8% is grazeable. One study conducted in the 70s estimated there to be 9400 sq km of land receiving 250-500mm annual rainfall in the Jeffara and Jabal Nafusa regions (Western Libya) and 13,000 square kilometers in Benghazi and Jabal al-Ahdhar. The Jeffara region has traditionally been the center of Libyan agriculture. Libya's main crops include wheat & barley, tomatoes, citrus fruits, potatoes, olives, figs, apricots and dates.

Until recently, farming activity depended wholly upon erratic rainfall and poorly developed irrigation systems. Libya attempted to alleviate this pressure through a massive engineering project known as the Great Man Made River (See *Construction/Great Man Made River*), which carries water to the North from underground aquifers in the Southern desert. In 1980 J.A. Allan warned that "the marginality of the natural resources is such that these resources are very sensitive to ill-judged agricultural development."[18] Since then, water-mining and overuse of land by a rapidly growing population has had a devastating effect on coastal Libyan groundwater resources. Sea-water intrusion into coastal water tables is an significant and widespread problem.

Desalination is not widely used, though many foreign experts consider it to be the most cost-effective/appropriate technology. The Jeffara Plain cereals project (1973-1978) was one of the

[18] Allan, J.A., Libya: The Experience of Oil, p 21

first of Qadhafi's major land-reclamation schemes. It was followed by the much less successful Kufra Productive Project (KPP), which aimed to develop 10,000 hectares of arid land, using 100 deep wells and automatic irrigation. KPP was expected to produce wheat, barley and clover, as well as fodder to support a large animal husbandry project. The Libyan government allocated 10 million LD between 1972-and 1975 to this project, into which Occidental Petroleum invested 5% of its early-years' profits.[19] KPP was abandoned due to technical problems shortly thereafter.

In an effort to increase agricultural production and to stem rapid migration to the major coastal cities, the Libyan government has offered various subsidy and land grant schemes. To date, the most successful ventures have been those that consolidate small-holdings into large production and marketing operations. With the aid of imported technology (irrigation, etc.), foreign consultants have helped identify "off-season" export crops (red globe grapes, other), fed by water from the Great Man Made River. U.S. firm Technofarm International currently manages a 2500-acre farm in Benghazi, under contract to the GMMR Authority. The company recently signed contract to expand this farm to 14,000 hectares. Additionally, the company is currently developing 600 irrigated hectares in Tarhona and 200 in Qararah Al-Qataf, using water from artesian wells.

NOTE: Libyan agricultural projects and policies are overseen by a General Inspector; there is no Ministry of Agriculture, per se.

9. Banking Services

It is often said that Libya's banking sector has been 'frozen' since the 1970s. Private ownership of financial institutions dates to 1997. With their link to SWIFT in 2001, Libyan banks were freed from the need to use Libyan Arab Foreign Bank to process foreign transactions**.**

The Central Bank of Libya (CBL) is undoubtedly the most powerful banking institution in Libya, and indeed nothing much happens in the banking sector without at least its tacit approval. CBL's mission includes maintaining monetary stability and promoting sustained growth of the economy in accordance with the general economic policy of the state. The Bank Governor is the chief executive officer responsible for the implementation of the policy of the Bank and the management of its affairs. Bank functions include the issue of banknotes and coins, stabilization of the Libyan currency; maintaining and managing the official reserves, regulating the quantity, quality and cost of credit, lending to commercial banks and public entities, supervision of commercial banks, acting as a banker and fiscal agent to the state and public entities; advising the state on the formulation and implementation of financial and economic policy. The headquarters of the Central Bank is in Tripoli with three branches located in Benghazi, Sebha and Sirte.

In addition to CBL, there are 6 state-owned commercial banks and 48 national banks. The largest of the state commercial banks, The Libyan Arab Foreign Bank (LAFB), operates subsidiaries and affiliates in more than 30 countries. The other banks are Jumhuriyya Bank, The National Commercial Bank, Sahara Bank, Umma Bank, and Wahda Bank. There has been considerable talk about unifying many of the smaller national banks.

Of the five quasi-private banks, one with significant capitalization is the Bank of Commerce and Development (BCD), established in 1996 with 2000 shareholders. BCD, with 11 branches, was the first to offer (pre-paid) credit cards and domestic travelers checks in amounts from 20 to 10000 LD. There has been much discussion recently regarding the proposed merger of several

[19] Fergiani, The Libyan Jamahiriya, p 172

smaller state-owned and private banks, as well as the establishment of something called the Tourism Development Bank, to facilitate--as the name suggests--projects in the tourism sector.

Prime Minister Shukri Ghanem has promised that foreign banks will be "allowed to operate in Libya in the near future," despite a 1993 law formally authorizing market entry. The Prime Minister has recently announced the creation of a 7 billion dollar fund to promote local economic activity and entrepreneurship. Apparently all Libyan banks will be able to draw on this fund, by submitting an application to the Secretariat of the Treasury.

10. Transport

Libya's transport infrastructure is extremely weak. Paved roads and airline service link major population centers; there are no railways, and few reliable marine transport services available.

***Railways**:* Plans for a 1.435-mile standard gauge line from the Tunisian frontier to Tripoli and Misurata have apparently been scrapped. Libya has discussed partnering with Egypt to establish a rail line from As-Sallum, Egypt, to Tobruq, but no action has yet been taken.

***Highways**:* Total: 83,200 km Paved: 47,590 km Unpaved: 35,610 km (1996 est.) The government has issued a number of high-profile road and road-improvement tenders in recent months.

***Pipelines**:* Crude oil 4,383 km; petroleum products 443 km (includes liquefied petroleum gas or LPG 256 km); natural gas 1,947 km.

***Airlines**:* In late 2004 the Libyan government announced its intention to privatize the State carrier, Libyan Arab Airlines (LAA), casting significant doubt as to the status of an expected USD300 million tender for the first of a series of new aircraft. LAA currently operates owned 727s and Fokker F-28s as well as two leased Airbus A300s. Buraq Air has recently signed a deal with Boeing for the purchase of 3 737-800s, with purchase options on three more.

***Sea Ports and harbors**:* Al Khums, Benghazi, Derna, Marsa al Burayqah, Misurata, Ras Lanuf, Tobruq, Tripoli, Zuwarah.

***Merchant marine**:* Total: 27 ships (1,000 GRT or over) totaling 401,303 GRT/656,632 DWT Ships by type: 9 cargo vessels, 1 chemical tanker, 3 liquefied gas tankers, 6 petroleum tankers, 4 roll-on/roll-off vessels, 4 short-haul passenger vessels (1999 estimate).

11. Tourism

Libyan tourism promotions feature the following slogans: "Libya…is Near" and "Libya: All You Can Imagine, All You Can't Imagine." Available statistics suggest that between 200,000 and 350,000 tourists visited Libya in 2003.[20] With increased cruise ship traffic and the lifting of U.S. sanctions, the figure may be as much as 70% higher for 2004. The Government of Libya projects that by 2010, more than 1 million tourists will visit the country annually.

Factors impeding growth in the tourist industry include the lack of physical infrastructure, a blanket prohibition on the sale and consumption of alcohol and difficulties in negotiating land-purchase/lease deals and identifying local partners. This latter condition is especially problematic

[20] MSNBC

for companies that prefer to manage, not build new properties. Libya had in 2004 4050 hotel rooms; the number is expected to rise to 6100 in 2005, and Libyan authorities claim to be aiming for a 14300-room capacity by 2008.[21] Currently, the vast majority of these are centered in Tripoli. Law #7 of 2004 created the Libyan Association for Voyages and Tourism (LAVT), responsible for the development of a comprehensive, nation-wide tourism policy. LAVT is the coordinating body for 25 government-run tourism agencies.

A handful of small- to mid-sized Libyan companies (50-100 employees) has been coordinating cruise-related sight-seeing tours, as well as executive retreats. European firms, including Club Med, are rumored to have opened talks with the Government of Libya for the construction of a few large resort facilities. South Korea's Daewoo reportedly has plans to build a 100 million dollar, 3000-bed hotel complex in Tripoli. In late December, 2004, the Italian Gruppo Norman signed a deal with the Libyan government to create a USD 268 million resort on the island of Farwa, near the Tunisian border. Emirati firms have signed letters of intent to construct several tourism and mixed-used industrial complexes.

Libya is known for its extremely well-preserved Roman and Greek archaeological sights (Roman ruins at Leptis Magna, Sabratha, Yefren, Gharyan, and Jadi), Greek sites (Teuchira, Cyrene, Appolonia, Ptolemais, and Berenice), and 1,770 km of scenic coastline. The 'Pre-Saharan' Ghadames and Ghat, once centers for the Saharan caravan trade, host yearly festivals, whose attendance has risen noticeably in the last 24 months. Among these are the annual festivals of Ghadamis (late September/early October), Ghat (late December) Derg (information unavailable), and Murzuq (as of January, 2005). The Paris-Dakar rally occasionally adds Libyan segments, the last of which was in 2003.

Note: While "tour group" visas are somewhat easier to obtain than other types, travelers are advised to be skeptical of tour operators' promises to secure visas.

12. Education & Training

Libyan children are required to attend six years of primary school, followed by three years of secondary school, for a total of nine years of compulsory education. In theory, university education is free and available to all. In practice, one notes that thousands queue for registration during the first days of college and university, in an attempt to secure a spot. Recent GPC sessions have called for a rationalization of the Libyan educational system, including a decrease in the number of schools and an increase in quality of teaching and available resources. In addition to state-run schools, there are a growing number of private educational institutions and training centers (See also, *Hints for Long-Term Residents*)

Foreign firms have found a receptive audience for proposals to increase training opportunities available to Libyan nationals, particularly in technical subjects. There is a rapidly growing market for educational exchange programs, school supplies and tools related to school administration. USLO is planning to maintain a roster of US firms offering training in various areas, from IT to ISO standards implementation to agricultural technologies. For further information, contact USLO's commercial section.

[21] HATA: High Authority for Tourism and Antiquities

13. Manufacturing industries

Libya is an import-driven society with extremely limited local production and manufacturing capabilities. The non-oil manufacturing and construction sectors, which account for about 20% of GDP, have expanded from processing mostly agricultural products to include the production of small amounts of petrochemicals, iron, steel, and aluminum. Many of the country's manufacturing facilities have fallen into disrepair, are overstaffed, and under utilized. Recently, Libya announced plans to privatize several manufacturing plants, mostly in the areas of steel, iron, and cement. Other possibilities for investment include such areas as textiles and agricultural refining and processing.

14. Environmental Services

In general, Libyan concern for the environment is weak. There are no national or local recycling programs, and visitors will note large amounts of garbage strewn throughout public areas. Libya is actively seeking a waste management company to provide a comprehensive plan for the gathering and disposal of waste in the major urban centers of Tripoli and Benghazi. Of particular interest to investors interested in the oil and gas sector is Law No. 7 of 1982, which establishes a Technical Center for the Protection of the Environment. The center was replaced in 1999 by the Public Authority for the Environment, which strictly prohibits the disposal of oil and the washing of tankers within Libya's territorial waters.

CHAPTER 4: SELLING U.S. PRODUCTS AND SERVICES

1. Establishing A Commercial Presence
2. Contracts
3. Advertising & Marketing
4. Intellectual Property Rights
5. Libyan Tax Regime
6. Procedures for Libyan Visa Applicants

1. Establishing A Commercial Presence

Types of Legal Entities Governing Economic (Commercial) Activity:

There is considerable confusion regarding the requirements for establishing a legal commercial presence in Libya. Companies have four main options: 1.) Establish a Joint Venture with a local firm 2.) Set up a Branch Office 3.) Set up a Representative Office or 3.) Enter Libya under the provisions of Investment Law #5 (See *Libyan Foreign Investment Board*)

Entering Libya Under Terms of Libyan Commercial Law

It is important to understand that, contrary to the practice in the United States, foreign companies seeking to register a commercial entity need *permission* from the relevant authorities to do so. There are areas of activity for which the Ministry of Economy and Trade will not grant permission, for example, "general trade" or "fish processing" (though the latter might well be accepted under proposals submitted under Investment Law #5, see below). Joint Ventures must be at least 51% Libyan-owned. Joint Venture holding companies are permitted under Libyan law. The establishment of Joint Ventures is governed by Law #65 of 1970 as well as Law #21 of 2000. The establishment of Branch Offices is covered by the same Law #65, as well as the original commercial code of 1953. In the construction/contracting field, as well as other longer-term activities, formation of a Joint Venture or Branch Office is virtually a requirement for operating in Libya legally. Furthermore, Libyan agencies almost universally give preference to the qualified local bidder for such contracts.

NOTE**:** Required documents must be submitted in the original (i.e., no photocopies or faxes) and endorsed by commercial authorities in the country issuing the documents (a chamber of commerce or State Secretary, for example). <u>All documents must be provided in Arabic translation</u>. Translations originating outside Libya must be notarized and stamped by the respective Libyan Embassy or Liaison Office. Comment: Several U.S. firms have reported encountering problems providing "acceptable certification/authentication" of corporate documents. At the time of writing, the Libyan Liaison Office in Washington was providing some authentication services. USLO is unable to authenticate documents on behalf of U.S. companies.

The Branch Office

At the time of writing, a number of U.S. firms' applications remain in-queue, awaiting final approval by the registration secretariat of the Ministry of Economy. The signing of contracts awarded under the terms of the recent oil concession bid round, and resulting corporate registrations, are expected to force some efficiencies in the registration process. Nevertheless, U.S. companies are advised that the process may be lengthy. In recent months U.S. companies--the vast majority of which have been oil and oil services companies--seeking to register branch offices have been dogged by a maze of bureaucratic procedures, some of which relate to the Libyan administration of Boycott Law # 62 of 1957 (as amended by Law #7 of 1962), which directly contradicts U.S. national legislation. USLO has been able to identify no case where an American company was denied registration specifically on these grounds. Recent copies of requirements for registration do not include mention of the Israel Boycott Questionnaire. If presented with this document, U.S. firms are required by law to report the action to the U.S. Department of Commerce Bureau of Industry and Security. For all of the above reasons, it is a virtual necessity for U.S. companies to engage a local attorney and/or accounting firm to help with the registration process (and all other matters related to setting up a Libyan branch or partnership).

Establishing A Representative Office

As of January 2005, foreign companies are technically eligible to open a representative office. Opening a Representative Office does not grant a foreign company rights to sell or market goods in-country. In a minority of cases, a representative office may satisfy ‘local presence’ rules for bidding on government contracts (Consult USLO for updates). The request must be addressed to the Secretariat of Registration within the Ministry of Economy and Trade, and include the name of the designated agent, his/her profession and mailing address. The Secretariat will perform its own due diligence on the request. Further information, including fees, will be published by the Secretariat.

Requirements for Registration:

According to Law #151 of 2003, and subsequent Ministry updates, the following entity-specific documents are required by the Secretariat of Economy and Trade for Foreign Company Registration:

For Branch Offices:

As of February 2005, applicant companies must submit the following:

> **25,000 <u>Euro</u>** registration fee.
> A completed application Form # 7, including name and address of the branch in Libya, activities, and branch capital.
> An original, an authenticated copy of the Company’s Articles of Association.
> A statement detailing **past experience** in the field of activity proposed to be undertaken in Libya, including details of contract value, place and time, and attestations from the applicable Chamber of Commerce and clients that work was performed in accordance with terms of contract.
> A receipt indicating transfer of **150,000 LD** into the company’s local bank account (Note: this amount constitutes an increase of 80,000 Euros over the previously required sum. There is apparently no requirement of subsequent minimum balance, i.e., one may drawn down the initial deposit to support operating expenses).
> A certificate issued by the Chamber of Commerce/Secretary of State in the country of origin confirming the company’s registration number and date of registration.

A **board resolution** containing:

- The decision to establish a branch in Libya
- A statement of the objects of the branch in Libya
- Name, surname and nationality of the designated Branch Manager.
- Commitment to prepare an annual balance sheet and profit and loss account.
- A statement of “non interference” in the political affairs of the host country.

NOTE ON FURTHER AMENDMENTS: As of the date of writing (5/05), the previous requirement of “evidence of 7 years’ operation/experience” is <u>no longer required</u>. The resolution of the Ministry of Economy and Trade from which this updated information is taken (No. 13 of 2005) does not include mention of the Libyan Israel Boycott Office.

For *Joint-Ventures* with Libyan Firms, the required documentation is somewhat less involved:

- Memorandum of Incorporation
- Board Resolutions
- Articles of Incorporation
- Certificate of Deposit from Libyan Bank confirming the receipt in transferable currency of not less than <u>3/10 of subscribed capital</u> of the company, including share of foreign partner

With regard to Fees and Transfer of Minimum Required Capital

Companies seeking to register a Branch Office are advised that the sum of associated legal fees should typically not exceed 20,000 LD. Registration will generally not be granted without proof of transfer of required capital (150,000 Euros in the case of a Branch Office, and 3/10 subscribed capital in the case of a Joint Venture). That said, and in light of the complexity of procedure for repatriating transferred capital in the event the request is denied, the Secretariat will accept payment after an oral confirmation of its permission to establish a Branch or Joint Venture (i.e., one may effectively wait until an ‘informal’/oral decision has been made before transferring funds).

Entering Libya Under the Terms of Law #5 (Encouragement of Foreign Investment)

Investment decisions are taken by the Libyan Foreign Investment Board (See, *Investment Climate*), and are made on the basis of merits of the proposed project, first and foremost, and the qualifications of the company proposing the project, second. Many of the restrictions placed upon foreign companies in the above categories do not apply to foreign investments (and the companies formed to administer them). For example, a company formed under Law #5 need not be Libyan majority-owned.

Other Options: Agency and Umbrella

The above information concerns the creation of a new Libyan entity. There are other, less involved means of operating in-country that do not involve local incorporation. These include “agencies” and “umbrella activity.” Agencies are simply distributorship agreements, signed with a local firm or registered agent. Another option is to enter the market under the umbrella of a foreign firm (in this case, the foreign firm effectively performs an agency function). Many U.S. businessmen find the “agency” route somewhat discomfiting, for the fact that the individuals serving as agents often have little relevant technical or legal experience, or even deep knowledge of the local market.

Operating under the umbrella of another foreign firm makes establishing an independent name in the market difficult. Certainly, the quickest way to enter the market is to do so under the auspices of an established foreign partner. In accordance with Law # 6 of 2004, foreigners wishing to sell direct to market must employ the services of a local agent.

Libyan nationals no longer need import licenses to act as agents for foreign firms. *Before entering into a contractual arrangement, it is advisable to verify that the foreign investor has the right to import all machinery, equipments and other requirements for building a project and also to import all primary materials and other requirement which are not available in the Libyan market*. In the past, foreigners (non-Libyans) have offered their services as agents and trademark registrars. Non-Libyans do not have this right, and any documentation produced by such individuals holds no legal weight.

Other Required Permissions and Fees

Once an affirmative response is obtained from the registration authorities, a foreign company must also sign the relevant municipality (shaabiyya) commercial register. Documentation used to satisfy national branch registration requirements should be sufficient for local registration.

Under Law #101 of 1973, a foreign company or branch must also register with the Libyan Chamber of Commerce. Required documents (again original, certified, and in Arabic as stipulated above) include: memorandum and articles of incorporation, power of attorney or a letter of authority of the branch manager and proof of registration with the Libyan Secretariat of Economy and Trade and relevant municipality. Companies working as subcontractors must provide a letter of approval from the Secretariat for whom the main contractor works, a list of all vehicles including cars, trucks and cranes over 1.5 tons, and a nominal annual fee. Foreign service companies operating in the oil sector must also register with the NOC, an action that results in the company’s placement on NOC’s list of approved contractors. Again, a company that obtains branch registration should be able to fulfill requirements for registration with NOC. Proposals floated to streamline the above procedures have thus far not been implemented.

2. Contracts and Import Documentation:

Major construction contracts are often awarded on turn-key or EPC (engineering, procurement and construction/commissioning) terms. BOT (Build-Operate-Transfer) contracts are extremely rare in oil & gas power sectors.[22] Bid and performance bonds are reasonably common, as are milestone payments. Libya requires standard import documentation including certificate of origin, tariff code and Customs ID.

[22] Libya Oil and Gas 2003, A UK Trade Partners Publication

3. Advertising/Marketing

There does not exist any kind of sophisticated marketing and/or advertising structure in Libya; most marketing is done through word of mouth, and/or on the basis of personal and/or corporate reputation. American companies—especially those with a pre-1980 presence in-country—will find they have an immediate advantage over “unknowns”, as Libyan consumers as a group have long memories and U.S. products are assumed to be high-quality. A problem encountered by prominent local (and foreign) companies is the continuing de facto ban on the public display of product logos that are a.) written in a language other than English or b.) express an “untranslatable” concept. Several firms have lost considerable sums in campaigns that the municipalities or their agents have ruled illegal. The degree of enforcement seems to vary considerably by region, with Tripoli being the strictest and Benghazi the most lenient.

There are various State-owned newspapers in which foreign companies may advertise. Additionally, most Libyans have access to satellite television. A few enterprising private sector companies have banded together to offer each other advertising through their own media (e.g., Jotun Paints advertises on Buraq Air ticket stubs). Companies may also advertise on Libyan websites.

After Sales Support

Several European franchises have successfully used after-sales support as a marketing tool. Jotun Paints, a Norwegian Firm, was one of the first foreign enterprises to set up product showrooms, which have apparently contributed significantly to sales in the residential/home paint market.

4. Intellectual Property Rights: Trademarks and Patents

While Libya does have laws to protect trademarks, patents, industrial drawings and models, and copyright, only patent law has been developed and enforced in Libya. Trademark violations are widespread and violators are adept at producing credible fakes. U.S. brands are at the present time extremely vulnerable to such activity, for their presumed high quality and Libya’s lack of direct experience with the “real thing.” A competent local agent will keep an eye out for infringements. USLO has noted a couple of cases in which foreign firms successfully pursued claims against trademark infringements by local (Libyan) companies. While Libya is in the process of applying for entry to the WTO, it is not currently a member and thus is not a party to TRIPS (Agreement on Trade-Related Aspects of Intellectual Property Rights).

Note on Due Diligence:

Currently, no institutions exist that will perform due diligence and check the bona fides of banks, agents, and customers. Some local attorneys may provide limited services by inquiring with the local courts, general union chambers of commerce, and inquiring through contacts if the source is reputable. Agents are typically responsible for registration of company trademarks with the Trademark Office, and must either engage an authorized trademark registrar, or hold a registrar’s permit. Again, USLO does not provide due diligence or notary services.

5. Libyan Tax Regime:

Income Tax Law #11 of 2004 increased personal tax exemption bands over those specified in Law # 64 of 1973.

Personal Income Tax (Foreign Nationals):

Foreigners' income is taxed according to its source. Tax on income from agriculture is levied at a flat 5% per year; income on commercial activities is 20% for the first 10,000 LD, 25% for the subsequent 20,000 tranche, 20% for the subsequent 30,000 tranche, and a flat 35% on income above this amount. Tax on income from industry and crafts is levied at a 5% discount per tranche relative to income derived from commercial sources. Employees within Libyan-run companies pay 3.75% of gross income as Social Security Tax, while the employer contributes 11.25%. There is no VAT in Libya, no gift and inheritance tax, no locality taxes, and no tax on insurance premia (i.e., these are deductible expenses**).**

Corporate Income Tax:

In a process that is far from transparent, foreign companies submit preliminary assessments of their tax liabilities, which are then reviewed against Libyan-generated standards for firm profitability, according to some theoretical (and rarely attainable) industry average. Based on what the authorities feel is the appropriate tax, they issue a 'final assessment', which a company may appeal. In practice the tax payment process is something of a negotiation, in which the smaller firms have the upper hand (vigor with which assessments are pursued is directly proportional to the obvious asset base. Companies with no fixed address, or few tangible assets often fall through the cracks).

The Jihad Tax:

The "Jihad tax" has raised some questions among the U.S. business community because of its name. It is unclear to USLO where the proceeds of this tax flow, but in light of Libyan policy, one can be reasonably certain this tax is not used to subsidize Muslim fundamentalist organizations.

Double Taxation Agreements:

Although Libya has double taxation agreements with several countries in the Middle East, it has no such agreements with the United States. A Presidential waiver signed in November allows credits to be claimed against U.S. income tax for taxes paid in Libya (U.S. Department of the Treasury, Dec 28, 2004).

Miscellaneous Tax Regulations:

> Export of goods to Libya is not subject to tax if the exporter's responsibilities end prior to customs clearance and exporter/supplier is not registered in Libya.

Contracts must be registered with the Tax department within 60 days of signing. 2% of total amount + 1% of proportion that is sub-contracted is payable upon registration. Fines are levied at a rate of 3%/month delay.

5% stamp duty on all local sales, added to the invoice at time of sale.

General personal income tax can be up to 90% on salaries over 200,000 LD

Foreign Income Tax					
Source of Income:	Tranche 1: 10,000 LD	Tranche 2: 20,000LD	Tranche 3: 30,000LD	Tranche 4	Tranche 5:
Agriculture	5%	5%	5%	5%	5%
Commerce	20%	25%	20%	35%	35%
Industry & Crafts	15%	20%	15%	20%	20%

Tax on Corporate Profits					
Tranche	First 200,000 LD	Next 300,000 LD	Next 500,000 LD	Next 500,000 LD	>2 Million LD
%age	15%	20%	25%	35%	40%

Jihad Tax for Individuals and Corporations:			
	Less than LD 50/Mo.	Between 50-100 LD/Mo.	Over LD 100
Individuals	1%	2%	3%
Corporations	4% flat		

6. Procedures for Libyan Visa Applicants:

All applicants aged 14 years and older must apply in person between 8 and 10 AM, Monday through Friday at the Consular Section of the U.S. Embassy in Tunis, Tunisia, and provide the following:

A Libyan Passport, valid for at least 6 months beyond the projected entry date into the U.S.
One passport photo, size 50mmx50mm. The photograph of each applicant must be an unmounted full face photo, taken within the past six months. Photos may be either in color or black and white and must be taken against a white or off-white background. Photos should be printed without borders.
Completed and signed DS 156 and 157 forms (forms must be filled out in their entirely and signed by the applicant or his/her guardian).
100 USD application fee.

Delegates who are employed directly by the Great Socialist People s Libyan Arab Jamahiriya and are traveling to the US on official Libyan Government business and whose applications are accompanied by a Libyan diplomatic note do not need a personal interview. Libyan delegates who are not traveling to the U.S. on official diplomatic mission must travel to Tunis for a visa interview. The applications of all Libyan nationals and residents must undergo special administrative processing. The average wait for a successful application is 3-4 weeks. Third country nationals living in Libya are subject to the same reciprocity schedule as Libyans. Once the review process is complete, the applicant must return to Tunis to collect his/her documents.

CHAPTER 5: U.S./LIBYA TRADE REGULATIONS, CUSTOMS AND STANDARDS

1. U.S. Export Regulations: Bureau of Industry and Security
2. Libyan Customs Administration
3. Libyan Product Standards
4. Free Trade Zone Administration, International Treaties

1. U.S. Export Regulations: Bureau of Industry and Security

As of April 29, 2004, the U.S. Department of Commerce's Bureau of Industry and Security (BIS) held jurisdiction over the export and re-export to Libya of dual-use items subject to Export Administration Regulations (EAR) [see: http:/www.access.gpo.gov/bis/ear/ear_data.html]. Please consult Section 742.20 of the EAR for specific guidance on the remaining controls imposed upon Libya. The Department of the Treasury, Office of Foreign Assets Control (OFAC) continues to control certain financial transactions, including those related to blocked assets or Specially Designated Nationals (SDNs) [see: http://www.treas.gov/offices/enforcement/ofac/index.html].

Libya remains on the U.S. list of state-sponsors of terrorism. As a result, the export and re-export of dual use items and technology to Libya is restricted. Exporters of dual-use items or technology products must apply for export or re-export licenses from BIS. License applications are considered on a case-by-case basis. Items requiring a BIS license are generally not approved for export or re-export to 'sensitive' end users (see Section 744). Applications for the export or re-export of items subject to the EAR that are destined to military end-use or military end-users are reviewed under a general policy of denial. Foodstuffs, medicine and medical devices are generally classified EAR 99, and thus typically do not require an export license for Libya, given that their intended end-users are not 'sensitive.'

Between the end of April 2004 and February 23, 2005, BIS received 168 license applications, of which 78 were approved, 49 returned without action, and 2 denied. The remaining 39 were pending as of February 23, 2005. The majority of applications have been for computer and related software, telecommunication equipment, oil field equipment and aircraft ("temporary sojourn" of aircraft and aircraft parts and components). Of those applications returnee, most were returned either because the item(s) in question did not require a license or because the forms were incomplete. The two denials were for applications to sell to the military, which the EAR expressly prohibits.

Many U.S.-origin goods were exported illegally to Libya during the embargo. These good are called the "installed base" and are controlled by Section 764.2(e), which reads: "*No person may order, buy, remove, conceal, store, use, sell, loan, dispose of, transfer, transport, finance, forward, or otherwise service, in whole or in part, any item exported from the United States, or that is otherwise subject to the EAR, with knowledge that a violation of the EAA, the EAR, or any order, license or authorization issued thereunder, has occurred, is about to occur, or is intended to occur in connection to that item."* This prohibition is restated in general prohibition 10 in part 736 of the EAR.

If you think an item may be part of the installed base, do not conduct the transaction as your company will be in violation of the EAR, if the transaction falls within the scope of the prohibitions defined in Section 764.2(e) of the EAR. BIS is working to address the "installed base' issue and expects to publish a regulation addressing the issue in the first half of 2005. In addition to being published in the Federal Register, BIS's regulation will be posted on the BIS website: www.bis.doc.gov

Personal Computers:

The U.S. Department of Commerce will generally allow the entry of personal computers into Libya for short business trips, under a license exception. If the computer contains only software controlled under ECCN 5D992 (most Microsoft products fit this category), the applicant may use License Exception BAG (see Section 740.14 of the EAR). If the computer runs software controlled under ECCN 5D002 (this is less common but some personal firewalls or other operating systems like Linux Red Hat are classified this way) exporters may employ License Exception TMP (740.9 of the EAR). If the computer contains both 5D992 and 5D002 software, no license exceptions are available. DOC has proposed a clarification to this problem in a forthcoming Libya export regulation; in the interim, consult the EAR or BIS for assistance. Exporters interested in using either of these license exceptions to bring items into Libya should consult part 740 of the terms and conditions of the relevant license exception.
BIS will not allow companies to sell computers or other goods to police, intelligence agencies, military, and proliferators of chemical, biological, or nuclear end users or end-uses. BIS is not authorizing licenses for the sale of computer or software on a distribution basis in Libya at this time. BIS will only authorize license for the sale of computers or software to known end-users.

Vessels:

Vessels (seagoing ships) subject to the EAR are controlled under ECCN 8A922.f., and require a license to enter Libyan waters, regardless of cargo.

Cell phones and GPS Devices:

These items normally require a license. BIS is not authorizing license for the distribution sale of these items in Libya at this time.

Applying for an Export License:

First, determine whether the product in question requires a license. To do this, consult part 732 of the EAR. If a license is required, please not that the following license exceptions are available in Libya in part or in whole: TMP, GOV, GFT, TSU, BAG, RPL and AVS. Information on each of these license exceptions is available in part 740 of the EAR.

SNAP is an on-line tool for exporters to submit export/re-export license applications, notification and commodity classification requests. Request appropriate forms on line, or by contacting the BIS' Office of Exporter Services at 202-482-4811. Department of Commerce district offices should have the requisite forms as well. To access STELA (BIS's automated voice response system), call (202) 482-4811 and enter the application control number (begins with a Z, and is followed by six digits).

For faster processing: 1) Provide a clear description of the commodities you seek to export including CCATs numbers and/or technical specifications to allow for verification of ECCN.

2) Software for computers should be listed as separate line items on the application even if pre-installed on the computer, since the licensing requirements for the software may be different than for the computers. 3) Provide a clear endues statement that explains who will use the equipment and what they will use it for 4) Provide clear information on who the end-user is. If the end-user cannot be verified as a legitimate recipient of U.S. goods or technology the application may be denied. 5) Provide a cover letter to supplement your application. The cover letter should summarize the transaction and provide any useful information that does not fit into the application form.

Upcoming issues:

Over the past few months, U.S. licensing procedures have been streamlined somewhat. Expected developments/amendments during the New Year include amendment/alteration of installed based regulations, which would allow for the use, service and repair of installed base items, as well as import of required spare parts. BIS also expects to alter regulation to permit the temporary sojourn of vessels (ships) as well as to authorize the sale of some oil-services-related explosives.

U.S. businesses are currently prohibited by Section 764.2(e) of the EAR from interacting with any installed base items encountered in-country. BIS is working to develop a rule that will be less restrictive while still maintaining the deterrence power of 764.2(e). This revision will allow US businesses to conducing business with installed base items after filing a report or obtaining a license as appropriate.

For further information on license applications or the Department of Commerce product classification system (CCAT), contact BIS's Office of Exporter Services at (202) 482 4811 or send an email via the link on the BIS homepage. For further information specific to Libya, contact BIS's Office of Nonproliferation and Treaty Compliance/Foreign Policy Controls Division at (202) 482-4252, or Jim Pruitt at jpruitt@bis.doc.gov. Libya-related information is also found on the BIS website. www.bis.doc.gov.

Quick Reference:

Items subject to the Export Administration Regulations (EAR) but not specifically controlled on the Commerce Control List (CCL), known as EAR99 items, no longer require a license for export or re-export to Libya.
Most household goods are EAR99 (and thus, do not require a license)
If the item is controlled on the Commerce Control List (CCL), that item may not be resold without the U.S. government clearing the end-user prior to sale.
The vast majority of U.S. origin computers, peripherals and software currently available on the Libyan market has been imported into Libya illegally.
BIS's licensing restrictions apply to foreign goods containing more than 10 % American components (for some commodities there is no minimum U.S. content to be controlled. Consult the EAR for more information on those items: http://www.access.gpo.gov/bis/
ANY item that was imported during the embargo is likely to be in violation of 764.2(e), and qualifies as "installed base."
U.S. origin computers or technology available for sale today in Libya are almost certainly in violation of the EAR, as the Department of Commerce does not license such items for resale in Libya. You purchase such items at your peril as you may then be in violation of the EAR and subject to civil and criminal penalties.

It is illegal for U.S. citizens to use, purchase items imported to Libya in contravention of U.S. sanctions including EAR99 items. If the item in question was imported into Libya after the sanctions were lifted and it is an EAR99 item, it is legal to use, purchase, etc. Libyan end-users must submit an ‘end use confirmation statement’ for orders of non-EAR, U.S. product over USD5000.

2. Libyan Customs Administration

Tariffs range from 0 to 425 % (IMF). Equipment imported into Libya for use in the oil sector is exempt from customs duties under Article 16 of Law No. 25/1955 (Petroleum Law). Additionally, as detailed in chapter 7, there are certain incentives as custom duty rebates for foreign investors who come in under Law No. 5/1997. Temporary importation of equipment is also exempt, but subject to a deposit and substantial fines and penalties if breached. Libya maintains a list of approximately 40 items prohibited for import; this list is expected to be shortened. Currently, all alcoholic beverages, obscene literature, pork and pork-related products, as well as goods manufactured in Israel are prohibited for import. Products of at least 40% Arab content origin are exempt from customs duties. All import license requirements have been removed.

Tariff Ranges for Specific Product-Groupings	
Meat (sheep, goats, beef): no duty	Meat (poultry, rabbit): 50%
Fish (frozen or fresh): no duty	Dairy products: no duty
Honey: 40%	Live plants and floriculture: 0-50%
Edible vegetables: 50%	Dried vegetables: 15-30%
Edible fruit and nuts: 0-40%	Coffee & tea: 15-50%
Cereals: 0	Milled cereals: 25%
Oil seeds: 0-50%	Gums and Resins: 0-20%
Animal and Vegetable Fats: 0-150%	Sugar and Sugar Confectionery: 20-50%
Cocoa and Cocoa Preparations: 0-50%	Beverages & Spirits Waters (mineral and other): 100% Spirits: Prohibited
Tobacco and Manufactured Tobacco Substitutes: LD 2/net Kg	Metallic Ores: 0
Mineral Products: 5-25%	Products of Chemical and Allied Industries: 0-20%
Mineral Fuels, Mineral Oils: 0-10%	Pharmaceutical Products: 0
Organic Chemicals: 0-15%	Tanning and Dyeing Extracts: 5-50%
Fertilizer: o	Soap and Soap-Like: 0-25%
Essential Oils and Extracts: 35-100%	Photographic and Cinematographic Products: 0-50%
Explosives, Pyrotechnic Products: 50-120%	Rubber and Articles Thereof: 5-30%
Plastics and Articles Thereof: 0-25%	Articles of Leather: 25-50%
Raw Hides and Skins: 15%	Wood and articles thereof: 10-100%
Furs: 100%	Printed Books, Newspapers and Other Products: 0-100%
Paper and Paperboard: 0-25%	Cotton: 0
Textiles and Textile Articles: 0-100%	Other Vegetable textile materials: 0-10%
Manufactured cotton/cotton weaves: 10-25%	Carpets and other floor coverings: 50-200%
Synthetic fibers: 0-20%	
Articles of Apparel and Clothing Accessories: 20-100%	

3. Libyan Product Standards:

At present, Libyan trade is governed by a loose patchwork of international standards. In 2003, the government re-constituted the National Center for Standards and Metrology (NCSM), charged with creating a comprehensive, unified regime under ISO 9000/90002 standards. As a prelude to its application to WTO membership, Libya is working to accredit its central Standards Bureau and to implement a network of certified national testing laboratories. While Libya is now a party to agreements with other Arab states recognizing the certifying authority of the relevant national standards authorities (Tunisia is one example), no such agreement is currently in place between Libya and the U.S., meaning effectively that the U.S. exporter must wait for the results of testing of landed products, before knowing whether or not the product will be admitted into the country (even if the product is a trusted brand within the U.S., and/or on the international market). The approval process can be time-consuming and has in the past been subject to corruption. The best assurance against a negative outcome is to provide NCSM with full details and product specifications before entering into an agreement with a local distributor. *NCSM is currently actively seeking U.S. partners and contractors to help implement ISO standards. For further information, contact USLO.*

4. Free Trade Zone Administration, International Treaties

Misurata, 210 km East of Tripoli, is currently Libya's sole operating Free Trade Zone (FTZ). Projects in the free zone enjoy standard "Five Freedoms" privileges, including tax and customs exemptions. At present, the zone occupies 430 hectares, including a portion of the Port of Misurata.

Libya is a member of the 1989 Arab Maghreb Union (AMU), linking Tunisia, Algeria, Morocco, Mauritania and Libya. The AMU's stated objectives include the encouragement of free movement of goods and people, revision and simplification of customs regulations, and movement towards a common currency. Nominally, AMU mandates duty-free trade among its members. Disputes between AMU members have stood in the way of much concerted action.[23] Libya is also a part of the Greater Arab Free Trade Area (GAFTA) [also called PAFTA, Pan Arab Free Trade Agreement] and the Euro-Med Partnership (EMP), also known as the "Barcelona Process", a dialogue between the European Union and 12 Mediterranean countries. The Barcelona Declaration of November 27, 1995 outlined goals of reducing political instability and increasing commercial integration. In 1999, 27 EMP partners agreed to admit Libya contingent on Libya's accepting the Barcelona acquis. Libya's accession to EMP has been stalled by

Libya has expressed its intention to apply for membership within the World Trade Organization. A working body has been set up to review and assist Libya in this process. Of concern will be Trade Related Aspects of Intellectual Property Rights, Libya's traditionally high tariff barriers, extensive subsidies, and trade in services. At least one major international consulting firm is in discussion with the National Center for Standards and Metrology (NCSM, see previous section) to support aspects of the development and application of ISO standards.

[23] Algeria and Morocco are engaged in a protracted dispute over the Western Sahara, while Mauritania-Libya relations have been soured by what Mauritania alleges was a Libyan plot to overthrow its president.

CHAPTER 6: INVESTMENT CLIMATE

1. Introduction
2. Security Environment
3. Currency & Foreign Exchange Controls
4. Corruption/Transparency
5. Dispute Settlement
6. Libyan Foreign Investment Board (LFIB)

1. Introduction

The cornerstone of the New Libyan Investment Environment is Law # 5 of 1997. Through Law #5, the government aims to diversify their oil-dependent economy, encourage technical training of Libyan nationals, and enhance regional development. Sectors targeted under this law include but are not limited to: agriculture, industry, tourism, services and health. Imported machinery, tools, and other capital equipment are exempt from all customs duties and taxes; any equipment, spare parts, or primary materials needed for the operation of the project are exempt for a period of five years; the project is exempt from income tax on its activities for a period of five years from the date of the commencement of the production or work; goods directed for export are exempt from excise tax and from the fees and taxes imposed on exports; stamp duty tax on commercial documents are exempt; and finally profits from the project will enjoy the same exemption if reinvested.

2. Security Environment *(See: Advice for Long-Term Residents)*

3. Currency & Foreign Exchange Controls

There are currently no restrictions on access to foreign exchange for current transactions. Those with residence permits (*iqamaat*) are permitted to hold foreign currency in Libyan accounts, and to transfer balances abroad without restriction. Non-residents working in Libya may open domestic accounts, in which to hold earnings. Central Bank approval is required for all other credits to non-resident accounts.[24] Per-transaction withdrawals are limited to USD 5,000 in cash and USD 10,000 in travelers' checks.

From February 1999 to December 2001, Libya maintained a dual exchange rate, with an "official" rate pegged to a Special Drawing Right SDR at the rate of LD1=SDR .608. State import agencies effected transactions using the official rate. Since, the Libyan Dinar has been unofficially pegged to the U.S. Dollar (allowed to float within a specified band). With a 50% devaluation of the official rate in 2002, the two rates were effectively unified. A further 15% devaluation took place in June of 2003. In June of the same year, Libya agreed to the terms of IMF Article IV consultations, which called for, among other things, the end to advanced import requirements and an end to the 15% exchange tax and subsidy.

[24] IMF Consultation Summary

4. Corruption/Transparency

Transparency International recently placed Libya 118th out of 133 countries (with "1" indicating the least corrupt). Despite high-profile campaigns attempting to draw attention to the issue, corruption remains rampant in Libya. Corruption frequently takes the form of openly solicited or thinly veiled requests for payoffs and/or "valueless" intermediation. The 1977 U.S. FCPA (Foreign Corrupt Practices Act) mandates stiff sanctions against U.S. companies engaging in corrupt payments to foreign officials or their intermediaries for the purpose of obtaining or keeping business (Department of Justice)." Any U.S. company or national may request a statement of the Justice Department's present enforcement intentions under the anti-bribery provisions of the FCPA regarding any proposed business conduct. Contact Peter B. Clark or Philip Urofsky at (202) 514-7023.

5. Dispute Settlement

Companies are advised to specify in advance and contractually agreed methods for dispute resolution. Libya is not a signatory to the U.N. Convention on the Recognition and Enforcement of Foreign Arbitral Awards (The 'New York Convention'). In the case of commercial disputes, most foreign entities currently opt to try cases before the ICC, the International Chamber of Commerce, whose judgments Libya has a history of respecting.

6. The Libyan Foreign Investment Board

The Libyan Foreign Investment Board (LFIB) was created as an implementation organ for Law #5, i.e., to oversee and regulate foreign investment in Libya's ageing and obsolete industrial base, characterized by an absence of national industrial planning, obsolete technology, incompetent management, low maintenance, slow restructuring and over-employment.[25] While theoretically LIFB has an investment-promotion mandate, at this time LFIB's remit is limited to processing a surfeit of foreign investment inquiries, *except* those related to tourism, or the Misurata Free Zone. Applications for investment in those sectors should be directed to the Ministry of Tourism and the Free Zone authority, respectively. LFIB is essentially a "one-stop shop", providing services needed by foreign investors, including those related to customs and immigration, taxes, and labor-related issues.

Application Process:

A foreign investor whether wishing to invest alone or with a private local partner must submit an application and letter of intent to the LFIB, on LFIB forms. Applications may also be submitted via commercial attachés at Libyan People's Bureaus (embassies) abroad. LFIB will review the application at its proximate monthly board meeting. The Ministry of Economy and Trade is entitled to request further information prior to issuing their decision. LFIB will notify the potential investor when approval is granted.

In possession of a favorable decision, the investor must open an account under the project's name in one of several authorized Libyan commercial banks and transfer capital according to contractual stipulations (typically a minimum of 600,000 Euros). If part of the project's required capital is a fixed asset, the investor must present all ownership documents and purchase invoices

[25] Libya Human Development Report, p 177.

to the customs office to facilitate necessary customs procedures. The following documents, along with forms provided by the LFIB, are required for LFIB to register the new entity:

Application form for Approval to Execute an Investment Project (founders, project details, including duration, target market, sources of raw materials, applied technology, tripe of equipment, environmental impact, substitution timetable for manpower, training programs, local training, projected costs, owned capital, sources of funding

Deed of Incorporation and Articles of Association for the project or the deed of Incorporation and Articles of Association of the parent company if the project takes the form of a branch. The branch should appoint its general manager and legal representative in Libya. If the investor is a Libyan citizen, the information supplied upon applying for permission to invest is sufficient.

The power of attorney or delegation of authority issued to the project manager or its legal representative, clearly stating his authorities and the period of validity for the power of attorney or delegation of authority.

A copy of the signature of the project's general manager or local legal representative.

A certificate from the relevant competent authority certifying the transfer of part or all of the project's capital to Libya.

After satisfying document and information requirements, the Investment Registrar Office will issue a registration certificate. The LFIB will then grant the licenses required for executing and operating the project. The investor is required to perform activities and present periodic reports on the status of project, including the maintenance of accounts, preparation of annual budget and cost-benefit analysis, periodic updates.

CHAPTER 7: TRADE AND PROJECT FINANCING

The majority of exports are financed through letters of credit. Some institutions will work with documents of collection. In the past, several foreign investors have complained of lack of timely payment when their client has been a Libyan government institution. Project financing is available through a few foreign commercial banks.

Project Financing: Limited project financing is available from a handful of foreign investment banks. Most recently, Arab Banking Corporation (ABC), Amen Bank, Islamic Banking Corp. and APICORP have provided financing for projects in Libya.

Letters of Credit: A letter of credit may not be issued by a local bank without a minimum advance deposit of 20% of the value of the imported goods.

Feasibility Studies: The U.S. Trade and Development Agency (www.tda.gov) facilitates economic development in emerging markets by promoting US partnerships in high-priority overseas projects.

OPIC: Overseas Private Investment Corporation provides political risk insurance. At the time of writing (2/5) Libya's presence on the J6 list precluded OPIC from offering facilities to U.S. companies doing business with Libya.

ExIm Bank: While the U.S. Congress recently approved a measure lifting a ban on U.S. Export-Import Bank loans to Libya, ExIm bank is not at this time (2/05) available for financing of U.S. exports to Libya. For further information, consult www.exim.gov, or contact Mr. Charles Barnett, charles.barnett@exim.gov.

Payment Terms: Payment intervals have fallen in the last two years from 2 years to 2-3 months on 'straightforward' state-to-Private sector deals.[26]

[26] Libya Oil and Gas

APPENDICES:

1. General Advice
2. Information for Long Term Residents
3. Useful Information for the Business Traveler
4. Estimated Opportunities
5. Companies Slated for Privatization
6. U.S.-Libya Trade Statistics
7. References

APPENDIX 1. General Advice For U.S. Firms Seeking To Do Business In Libya:

- Relationships and front-dealing are key: USLO has seen many ventures fail because U.S. counterparts attempted to run a project remotely, and/or with limited resources. If you are serious about the market, think about assigning someone here permanently. Corollary: Libyans may be offended if you choose to assign someone as GM or local representative who is not American. In USLO experience, those companies who go through the "front door" are most likely to succeed.
- Give forethought to method and timing of payments: While Libyan firms are becoming more timely and reliable with payment, one should not take it as given that payment will be made. Lump sum payments are notoriously difficult to amend.
- Think carefully about your target market: Libya constitutes a reasonably limited market; that said, the country has potential to be a base for regional operations, particularly those that are Southward-looking. Consider engaging one of a small number of high-quality market research companies and/or their Western affiliates to assist with market sizing and sales projections.
- Begin official processes early: most processes that require official sanction or approval have a lengthy gestation (2-24 months). If you know your business requires registration of a branch office, for example, start the process early, as you can always annul the application. Apply for a visa as soon as you have an idea that you will be traveling to Libya.
- Be mindful of the limitations of local partners: there is a shortage of skilled workers, particularly in technical fields. Do not assume local partners have the capacity to support complex projects. The oil industry is an exception.
- Small things may have large consequences: Business etiquette is very important in Libya. Respect for hierarchy is important, as expressed through the use of appropriate titles (from "Engineer" to "Doctor" or "Director").
- Start small, think long-term: relationships take time to build, especially if your product has no prior brand-name recognition in Libya. Think about partnering with another foreign firm with a more established local presence, or entering into small-scale agreements to test the market.
- Differentiation factors: Consider emphasizing sales techniques and services that are both suited to the local market, and long-absent: for example, several firms have found showrooms offering after-sale service an effective differentiator.
- Advertising: there are regulations on the books governing advertising which are wholly foreign to Western businesses. Before spending on "conventional" advertising, look at what others in similar industries have been able to do, and think creatively.
- Identify parties with power to issue and sign contracts.

- Training key: With unemployment hovering around 30%, and a wave of privatizations likely in the wings, government bodies (tender-issuers, most likely) are looking for ways to re-tool and re-assign workers. Integrating well-considered training plans into bids is likely to generate good will.
- Consult USLO: The U.S. Liaison Office Commercial Section, while small, will do its best to respond to all serious inquiries in a timely manner.

APPENDIX 2. Information for Long-Term Residents

Schooling

Plans are in place to open a K-8 "American school" in Libya in September 2005. The school, with an expected startup enrollment of 60 students, will be established by USLO in partnership with Conoco-Phillips, Marathon, Hess, Chevron Texaco, Occidental and potentially Halliburton and Schlumberger. Companies interested to participate as a founding member of the school should contact Paul.R.White@conocophillips.com. Companies and families interested in potential enrollment of their children are asked to contact Mr. Stephen Kapner: somokapner@yahoo.com.

Health

International product safety standards are not enforced in Libya. Many of the water sources (both tap and bottled) contain high levels of nitrates (a known carcinogen), salts and heavy metals [Consult USLO for further information, as available]. Many pesticides in use in Libya are banned in Europe and the U.S. As a result, long term (and short term) visitors are advised, when possible, to drink imported bottled water and to wash edible-peel fruits and vegetables thoroughly before eating, and to avoid consuming greenhouse-grown (off-season) fruits and vegetables. Hepatitis A & B and tuberculosis are reputedly widespread in Libya; there are no reliable statistics on the rate of HIV infection. International health insurance company BUPA has identified three local facilities as meeting "international standards." These include Awafa Medical Services and Brothers Clinic (see USLO Directory). The Maltese St. James hospital group plans to open an affiliate clinic in Tripoli in 2005.

Oil & Gas Discussion Group

Treating issues of general concern to industry operators, and open to senior representatives of major Oil and Gas Exploration companies. Contact Embassy of the U.K. of USLO for further information.

APPENDIX 3: Useful Information for the Business Traveler

Libyan Business Custom

Traditionally, most business transactions took place with state organizations, however with the move toward greater privatization, business is increasingly being done with private citizens.

English is widely understood and used, although it is government policy for all official documents to be in Arabic. Appointments are necessary and business cards are useful though not necessarily widely used. Suits and ties are generally worn, although casual business attire is acceptable during the hotter months.

Travel Advisory and Visas

Visitors require visas, normally valid for 3 months and to be used within 45 days of issuance. Visas are carefully controlled and usually confined to those working in Libya or those visiting as part of groups run by local tour operators. Applicants can apply at any of Libya's diplomatic missions and may need to wait weeks for receipt of a visa. Entry at borders may be refused:

1.) If the visitor holds an Israeli passport or any passport containing a visa for Israel
2.) If the traveler is not carrying at least 500 USD or equivalent on his person
3.) If visitors are women and/or children of nationals of other Arab League countries and are traveling alone (unless they are met at the airport by their husband/father or unless they are holding a "No Objection Certificate" issued by the Libyan Immigration Department and are met at the airport by the resident relative who filed the application).

Current U.S. and Libya visa policies are effected within a framework of 'general reciprocity': as the U.S. issues Libyan nationals single-entry visas only, the Libyans do the same for U.S. citizens. Travel advisories are maintained by the Department of State. For the most recent notices regarding Libya, see: http://travel.state.gov

Dress

For men, suits and ties are common; in the summer months, jackets are less frequently seen. For women, shirts and tops should ideally reach elbow-level or below. Dresses that show shoulders or legs are not considered appropriate for business.

Security

While precise statistics are unavailable, the incidence of petty crime in Libya is low, and the risk of international terrorism is deemed "moderate." The Qadhafi regime strictly controls opposition movements, particularly those of a radical Islamic nature. Libyan Islamic Fighting Group (LIFG), whose original goal was to overthrow Qadhafi, was classified as a Foreign Terrorist organization in 1995, constitute most serious threat to US interests and personnel in Libya. In general, Libya is considered one of the safest countries in the Middle East for U.S. businessmen. Citing safety concerns, several Western companies have effectively prohibited their employees from traveling on LAA. The incidence of fatal car crashes in Libya is considered high, even by Middle East standards. The U.S. Department of State puts out travel bulletins which one can access by phone, toll free: 1-888-407 4747, or via the Internet: http://travel.state.gov.

Airline Schedules

There are presently no U.S. carriers flying to Libya, though code-share applications have been filed by both Houston-based Continental Airlines (through partner KLM) and Delta Airlines. Of the foreign airlines, British Airways, Swiss, Alitalia, and Air Malta offer the most convenient connections to Europe, through London, Zurich, Rome and Valetta, respectively. Olympic, EgyptAir, KLM, Royal Jordanian, TunisAir also operate flights to Libya. Afriqiya operates non-stop flights from Tripoli to Paris and Geneva, as well as various African capitals on new Airbus equipment. There is currently little price competition on flights from Europe to Libya. For flights to/and from European capitals, the lowest fares are typically on the national carriers of the destination country. At the time of writing, Buraq ran three daily flights from Tripoli's municipal airport, Metiga, to Benghazi. Internationally, Buraq flies to Turkey, Rabat and Malta.

Internal Flights

There exist four Libyan airlines, three of which are state-owned and operated: Libyan Arab Airlines (LAA), Libya Air, and Afriqiya. Buraq Air, the sole 'private' operation of the group, is the darling of the Libyan private sector, for its relative punctuality and acceptable service. For many internal destinations, Libya LAA is the sole option. Various tour companies run charters to destinations such as Ghat and (occasionally) Ghadames, particularly around the times of local festivals (see *Tourism, and Security, above*).

Holidays

Major Libyan secular holidays are as follows:

Declaration of the Authority's Power – March 3
Evacuation of Foreign Military Bases – June 11
Anniversary of the Revolution of 1969 – September 1

The following religious holidays are also observed.

New Year – February 22
Prophet's Birthday – May 2
Ramadan*****
Aid Esseghir (El-Fitr)*
Aid El Kebir (El-Idha)*

*Actual dates are based on the lunar calendar and vary from year to year

Languages: Arabic, English and some Italian

Work week: Private sector – Saturday-Thursday:
8 am – 1 pm & 4 pm – 6:30 pm
(Thurs. generally 8 am – 2 pm)

Public sector – Saturday-Thursday:
7 am – 2pm

Working hours are shorter during July/August and the month of Ramadan.

Airport Code	City/Airport Name
LAQ	BEIDA LABRAQ
BEN	BENGHAZI BENINA
DNF	DERNA MARTUBA
LTD	GHADAMES
GHT	GHAT
HUQ	HOUN
AKF	KUFRAH
LMQ	MARSA EL BREGA
MRA	MISURATA
SEB	SEBHA
SRX	SERT
TOB	TOBRUQ
TIP	TRIPOLI INTL
QUB	UBARI

APPENDIX 4: ESTIMATED MAGNITUDE OF OPPORTUNITIES

Magnitude of Opportunities (Estimated, Some Overlap Between Categories)			
Sector	Estimated Value/Time	2003 GOL Budget Allocation	Some Applications
Oil & Gas	USD30 billion to 2020		Sand and water control, de-bottlenecking. Maintenance and supply, aerial surveying, pressure maintenance, water/gas injection, submersible pumps, pigging & anti-corrosion
Electricity & Power Generation	USD3.5 billion over five years.		
Foodstuffs	USD2+ billion		Mills & fodder
Free Zone & Port Management	USD100's of millions		
Agriculture and Irrigation Technologies:	USD100+ million	160.60 Million LD	
Medical Supplies & Services	USD20 million	289.3 Million LD	Add USD30 M for dental
Policy Consulting: standards design and implementation, anti-corruption projects, education and training program design	USD3 million		
Education: program	USD300-500	381.5 Million LD from	

administration, supplies, construction: 100s of millions	million	Development Budget, 196.4 Million LD from Admin Budget=.5 Billion	
TRAINING	USD100s of millions	NOC procurement arm Umm al-Jawaby contracted for USD40 m courses/year over the past few years	
Renewable Power: Solar (future demand)	After 5 years		
Consumer Goods,	>USD1 Billion	Budget of NASCO+consumer/supplies portion of Umm Al-Jawaby+Medoil=>1.5 Billion	
Waste and Wastewater Treatment:	USD100 million +		Includes water/oil separation, tank and pipe cleaning, filtration, desalinization technologies; Cleaning of contaminated land, remediation of contaminated groundwater, emergency response and containment
Cement: 20 m			
Mining and engineering services:	USD100 Million		
Transport and distribution	USD1 billion over ten years	N/A	(hot) , refinery maintenance, refinery upgrading
Environmental Management Services,	USD100 million	N/A	training audits, geological services, policy research. **Conformity with ISO14000, Environmental monitory, instrument, analysis and assessment**
Housing and Public Utilities		N/A	
Aircraft sales, parts and maintenance (including radar and avionics)	USD1 billion over 5 years	N/A	
Roads	USD 1.3 billion over 8 years	N/A	
	USD10+ million	N/A	
Census management/statistical consulting:			
Automobiles & Trucks	USD40 Million, over 5 years		
	USD1-3 billion over 5 years	N/R	
Telecom and Information Technology: 1-3 billion over five years			
Hotel/Resort Infrastructure:	USD2 billion over 10 years (source: GOL)	N/R	
	USD10 million	N/A	

Textiles plant and equipment: Marine, Agriculture and Livestock	USD10-40 million	121.71 million LD	
Security and security equipment:	USD100 million	N/A	
Agribusiness	USD 50 million	N/A	Including Animal husbandry

APPENDIX 5: COMPANIES SLATED FOR PRIVATIZATION

Sought for Joint Investment	For Illustration Purposes Only				
Joint Investment Candidates (2004) Source: LFIB	Location	Project	Location	Project	Location
		Amman Tyre and Battery Co	Tajura	Surman forest trees arboretum and saniat elfar farm	Sabratha and Surman
Libyan Iron and Steel Company (LISCO)	Misurata	Water Heaters Factory	Tajura	Nena Ag Project	Jofra
Arabian Cement Company		Wool Industries Complex	Ben Waleed	Temsa Ag Project	Murzuq
Libyan Cement Company	Benghazi	Karapoli Complex for Plastics	Karapoli	Foothills Cultivation project	Benghazi
General National Company for Flour Mills and Fodder	Tripoli	Soap Powder Plant	Misurata	South Ejabal Al-Akedar Project	
General Company for Chemical Products	Abe Kamash	Soap Powder Plant	Benghazi	Elfej Valley Project	Benghazi
General Electronics Company	Tajura/Tripoli	Azizya Glass Complex	Azizya	Libyan Company for Cows and Chickens	
General Tobacco Company	Tripoli	Benghazi Tannery	Benghazi	Hera Cow and Chicken complex	Gherian Foothills
General Wires and Electrical Product Company	Benghazi	Al Kufra Agriculture Project	Al-Kufra	Twesha Cows and Chickens Complex	Caser Ben Gasher
General Pipe Company	Benghazi	Maknosa Ag Project	Fezzan	Tarhouna Cows Center	Fam Elaga
General Company for Sanitary Pipes		Wadi Parjoj Ag Project	Fezzan	Cow and Chicken Product Complex	Elabear
National Textile Company	Janzour	Irwan Ag Project	Fezzan	Got Sultan Cows and Chickens Complex Elagoria Cows and Chickens Complex	Elagoria
Libyan Mining Co	Tajura	Aryl Ag Project		Benghazi Chicken Complex	Benghazi
Engineering Industries Co	Gherian/Tajura	100 thousand hectare wheat project		Benghazi Cow Center	Benghazi
		Krarat Alkatf	Ben Waleed	Center for Raising	Tarhouna

	Project		Chicken for Meat	and Meslata
	Elood Ag Project	Jofra	Ejdabia Cows center	Ejdabia
	Elgoarsha project for green fodders production	Benghazi	Wadi jaref chicken project	Sirte
	Elhadba project for green fodder	Tripoli	Elassa Camel research center	El Nekat Al-Khams
	Janzour project for green fodder	Al-Jufara	Jofra cows center	Jofra
	Misurata project for green fodder	Misurata	El Desa cows center	Wadi Al-Haya
	Nafeth & Zarar project (Grasslands)		Jansour fish canning plant	
	Saso Grasslands projects		Al-Ribbat Al-Tareeghy Fish Canning plant	
	Al-Jadida arboretum for Fructose trees		Subrata Fish Canning plant	
	Al-Jadida arboretum for forest trees		Zliten Fish Canning Plant	Al-Merged
	Al washka grassland project	Sirte	Zliten Refrigerator complex	Al-Merged
	Wadi Be al Kabeer Project	Sirte	Kumis Fish Canning Plant	
	South Zliten Grassland Project		Kumis Refrigerator complex	
	Saso Grassland Project		Aien Elziana Hydroculture project	Benghazi
	Azomi Date palm farm		Aien Kaam Hydroculture project	Kaam
	Forest Trees Arboretum		Aien Alkazala Hydroculture project	Tubruq
	Fruit Arboretum		Open sea farm project	Al-Khums
	Fruit Arboretum		Fresh water fish cultivation center	Al-Khums
	Tamimi Date Arboretum		Farwa Hydroculture Complex	Farwa

APPENDIX 6: U.S.-LIBYA IMPORTS/EXPORTS

U.S. Imports from Libya, Jan.-Oct. 2004		
Description	Dollar Value, Millions	% Share
Mineral Fuel, Oil Etc.	265.5	96.72
Inorganic Chemicals, Rare Earth Metals	4.7	1.71
Fertilizers	4.3	1.57
Other	0	0

Source: U.S. DOC, Bureau of Census

U.S. Exports to Libya, Jan-Oct 2004						
				% Share		
Description	2002	2003	2004	2002	2003	2004
Cereals	18.26	.05	11.09	99.96	74.79	41.14
Machinery	0	0	7.80	0	0	28.94
Optic/Medical Instruments	0	.01	4.50	0	18.02	16.72
Pharmaceutical Products	0	0	1.53	0	0	5.66
Special Other	0	0	.36	0	0	1.33

Vehicles, Not Railway	0	0	.35	0	0	1.30
Miscellaneous Food	0	0	.29	0	0	1.07
Iron/Steel Products	0	0	.20	0	0	.73
Edible Fruit and Nuts	0	0	.18	0	0	.66
Preserved Food	0	0	.15	0	0	.57
Misc Grain, Seed, Fruit	0	0	.10	0	0	.38
Paper, Paperboard	0	0	.08	0	0	.29
Electrical Machinery	0	0	.08	0	0	.29
Inorganic Chemicals	0	0	.07	0	0	.25
Tool, Cutlery, of Base Metals	0	0	.04	0	0	.16
Aircraft, Spacecraft	0	0	.04	0	0	.15
Manmade Filaments	0	0	.03	0	0	.1
Wood	0	0	.02	0	0	.09
Arms and ammunition	0	0	.02	0	0	.06
Clocks and Watches	0	0	.01	0	0	.05
Soap, Wax	0	0	.01	0	0	.02
Salt, Sulphur	0	0	.00	0	0	.02
Book, Newspaper	0	.01	.00	0	7.19	.02
Nickel and articles made of	0	0	.00	0	0	.01
Misc. Chem. products	0	0	.00	0	0	.01
Stone, Plaster, Cement	0	0	.00	0	0	.01
Plastic	0	.01	0	.04	0	0

Source: U.S. DOC, Bureau of Census

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